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SPECIAL BOARD MEETING

January 13, 1977

A special meeting of the Teachers' Retirement Board was called to order at 9:30 a.m., January 13, 1977. Those in attendance were:

J. William Kearns, Jr., Chairman
James E. Burke
James N. Dennehy
Georgia Rice, Superintendent of Public Instruction
Lorence B. Simonsen
Owen L. Morris, Jr., Executive Secretary
F. Robert Johnson, Assistant Executive Secretary
Alton P. Hendrickson, Actuary

Mr. A. G. Erickson, of the Montana Retired Teachers' Association, was admitted. Mr. Erickson stated that there were two items of concern to the retired teachers. First, they would like to have a retired teacher on the board. There are over 3400 retired teachers drawing pensions that would like some input into the operation of the retirement system. Mr. Erickson further stated that he believed there would be two bills introduced, one be Senator Lowe which would increase the board to seven (7) members and another that would replace a public member with a retired teacher.

The board discussed whether a retired teacher might be appointed to the board under the provisions of the current law. Mr. Erickson replied that the retired teachers wished to have it spelled out in the law that a retired teacher be on the board so that they would not have to rely on an appointment by the Governor of a retired teacher.

Mr. Erickson next expressed his concern for those teachers who retired prior to July 1, 1971, and particularly those teachers who retired before the salary ceiling was lifted. He stated the retired teachers were asking for legislation that would provide an increase of $1.00 per month for each year of service and $2.00 per month for each year of retirement prior to July 1, 1971.

Dr. Simonsen asked the cost of the proposal.

Mr. Hendrickson replied that the cost would be just slightly less than $7 million.

The Executive Secretary asked Mr. Erickson whether the legislation would provide for funding. Mr. Erickson replied that it might be introduced without a provision for funding and leave that up to the legislature.

Mr. Dennehy inquired as to the impact on the system if no funding was provided. Mr. Hendrickson stated that, although it would only increase the amortization period of the unfunded liability of the system slightly over two years, this would not be desirable in view of the board's previous policies that recognized the folly of adding to the unfunded liability rather than gradually decreasing it.

The actuary further stated that unless a lump sum appropriation of $7 million were obtained, it would require additional contributions of 1/8 of 1%.

Mr. Erickson stated that he was realistic enough to doubt that the legislature would appropriate the required funding from the General Fund and that he also recognized that there might be opposition to an increase in contributions.

At this point Mr. Erickson was excused from the meeting.

A general discussion followed concerning desirable means of funding the proposed increase.

Dr. Simonsen moved that the board support the proposed benefit increases if funding were derived from sources other than the active membership. Mr. Dennehy seconded the motion which was approved.

The Executive Secretary next presented the recommendation of the Legislative Fiscal Analyst, in the 1979 Biennium Budget Analysis, that would combine the administration of the various retirement systems in the state.

After a lengthly discussion, Mr. Dennehy moved that the board oppose any legislation proposing merger of the administration of the retirement systems and that we contact as many legislators as possible in opposition to such legislation. The motion was seconded by Mr. Burke and approved by the board.

The Executive Secretary next presented for the board's consideration the following changes to the Teachers' Retirement law. These changes are based on House Bill 34, recodification bill, attached as Exhibit (1).

Page 3, Line 6 - Change definition to "average final compensation" means the average of the earned compensation of a member during the 3 consecutive years of full time service which yield the highest average and on which contributions have been made as required by subsection (1) (a) of 75-6207, except that a member who has less than 3 consecutive years of full time service during the 5 years preceding his retirement, the earned compensation shall be that which he would have received had the service been full time service.

Add to 75-6201 - Definitions, add: "Full-time service" means service for employment full time for a normal academic year of at least nine (9) months. For those members employed by the Office of the Superintendent of Public Instruction or other state agency or institution, or County Superintendent, "Full-time service" means service for employment full time for at least nine (9) months.

"Part-time service" shall mean service for employment less than full time or for employment less than a full academic year or for less than nine (9) months in any year. "Part-time service" shall be credited based on a proration of the actual time worked to full-time service.

Page 7, Lines 3 through 6 - Delete.

Page 14, after line 16, add:
(8) The assets of the retirement system may not be used for or diverted to any purpose other than for the exclusive benefit of the members and their beneficiaries and for paying the reasonable expenses of administering the retirement system.
(9) In the event the retirement system is terminated, upon termination of employment of a substantial number of members which would constitute a partial termination of the retirement system, or upon complete discontinuance of contributions to the retirement system, the retirement allowance accrued to each member directly effected by such occurance shall become fully vested and nonforfeitable to the extent funded.

Page 10, Line 17 - After "period" add words "on and".

Page 10, Line 20 - Change "earnable" to "earned".

Page 11, Line 15 - Delete ", any part thereof,".

Page 11, Lines 22,23,24,25 - Delete ", and an amount equivalent to the difference between the accumulated contributions calculated at regular interest and the amount paid shall be transferred to the pension accumulation fund."

Page 14, Line 15 - After "fund" add "out of the pension accumulation fund".

Page 14, Line 25 - Change 75-6208 (2) (a) to: A member who has at least five (5) full years of creditable service and whose last five (5) years of creditable service were in this state and who has attained the age of sixty (60) or has been credited with full-time or part-time service in thrity (30) or more years may retire from service, if he files with the retirement board his written application setting forth the fact of his retirement.

Page 16, Line 5 - Change (d) to read: Any retired member may be employed as a part-time or substitute teacher in Montana and may earn the greater of an amount not to exceed one-fourth (¼) of his average final compensation or one-fourth (¼) of the median of the average final compensation for members retired during the preceding fiscal year as determined by the retirement board, without loss of retirement benefits.

Page 16, Line 11 - Delete: "which shall consist".

Page 16, Lines 15,16,17 - Delete.

Page 16, Line 18 - Delete: "equal to".

Page 16, Lines 20,21 - Delete: "completed 30" and add after "of" the word "creditable".

Page 16, Line 25 - After "whose" add "creditable".

Page 17, Lines 5 through 10 - Delete.

Page 24, Line 17 - After "death" add "or was retired".

Page 25 - After Section 8 (a) add "No duplication of benefits. In no event shall there be a duplication of benefits to any member or beneficiary due to more than one period of service of a member."

Page 28, Line 15 - After "(c)" add "since".

Page 28, Lines 20 through 24 - Change to read: "be employed in the capacity prescribed for his eligibility for at least thirty (30) days in any fiscal year."

Page 29, Lines 3,4,5 - Insert a period after word "herein" and delete that which follows.

Page 28, Line 8 - Add: "All persons in similar circumstances shall be treated alike".

Page 30, Lines 3,4,5 - Change to read: "Whenever a person becomes a member of the retirement system as required by 75-6209 he shall complete an application form prescribed by the retirement board."

Page 30, Lines 7 through 11 - Change to read: "The creditable service of a member begins on the date of his employment in a capacity prescribed for his eligibility in 75-6209 and accumulates to the member's credit on the basis of the retirement board's policy governing creditable service."

Page 36, Line 15 - Change word "board" to "system".

75-6216 - Delete: "and of pension reserves in the pension reserve fund."

After discussion of each of the changes, they were approved upon a motion by Mr. Dennehy and seconded by Dr. Simonsen.

The Executive Secretary next suggested that the following definition of "earned compensation" be considered.
" 'Earned compensation' means the full compensation, pay or salary actually paid to a member and reported to the retirement system, including irregular forms of remuneration, such as amounts paid for special duty or under a salary reduction agreement, and amounts paid in kind, such as maintenance. The employer shall fix the value of any compensation paid in kind. The earned compensation of a member who had less than three (3) consecutive years of full-time service during the five (5) years preceding his retirement is the compensation, pay or salary which he would have earned had his part-time service been full-time service. The earned compensation of a member who is awarded a disability retirement allowance prior to the completion of a full year is the compensation, pay or salary which he would have received had he completed the full year."

The proposed definition of "earned compensation" was approved upon a motion by Mr. Dennehy and seconded by Dr. Simonsen.

The Chairman next asked that if the proposed change of "earned compensation" were to become law, would the board want to consider including payment to Karl Erickson for his unused vacation time as part of "earned compensation".

Dr. Simonsen moved that, upon passage of the proposed legislation, payment for Karl Erickson's unused vacation be used in determining his retirement benefit. Mr. Dennehy seconded the motion which was approved, with Mr. Burke voting against the motion.

The board next reviewed the audit report of the Teachers' Retirement System by Holmes and Turner, CPAs. After individual discussion of each of the auditors' recommendations, the board approved the following responses upon a motion by Mr. Burke and seconded by Mr. Dennehy.

RECOMMENDATION #1:

Substantial receivables should be accrued at the end of each fiscal year.

RESPONSE:

We concur in this recommendation.

RECOMMENDATION #2:

Consider proposed legislation which would allow for penalties to reporting agencies for failure to file timely contributions reports.

RESPONSE:

We do not concur in this recommendation. It is our intention to contact the reporting officials for the various agencies in an attempt to obtain the June reports and related contributions by June 30. If we are successful, this will allow us to accrue substantial receivables at the end of the fiscal year and will preclude the necessity for legislation which would provide penalties for late reporting.

RECOMMENDATION #3:

Include on all journal entries a precise explanation of the nature of the entry and refer to the source where detailed information is available.

RESPONSE:

We concur in this recommendation.

RECOMMENDATION #4:

Segregate the functions of accounting from the receipt and deposit of funds relating to investments in real estate mortgages.

RESPONSE:

We do not concur with this recommendation. The mortgage payments are logged in by the records clerk when the mail is opened. The checks are then given to the accounting clerk who makes up the deposit document. The accountant only receives the report of the real estate mortgages so that the functions of accounting and the receipt and deposit of funds are segregated.

RECOMMENDATION #5:

Continued effort should be placed on developing procedures designed to reduce or eliminate benefit payments made to retired members after their death.

RESPONSE:

We concur in this recommendation. We have continued our effort on developing procedures to reduce or eliminate benefit payments to retired members after their death. We have discussed this with the State Auditor and are hopeful of having the words "if living" printed on the retirement warrants, either at the time the warrants are printed or when they are addressed by the computer.

RECOMMENDATION #6:

Take the necessary procedures to adapt the general ledger provided by SBAS to the specific requirements of the retirement system.

RESPONSE:

We concur in this recommendation.

RECOMMENDATION #7:

Establish subsidiary ledgers which will provide the necessary information to properly reflect the changes in fund balances for the annuity savings fund, pension accumulation fund and annuity reserve fund, in accordance with Section 75-6207 R.C.M. 1947.

RESPONSE:

We concur in this recommendation.

RECOMMENDATION #8:

Reconcile subsidiary ledgers to the control totals maintained in the general ledger on a monthly basis.

RESPONSE:

We concur in this recommendation.

RECOMMENDATION #9:

Evaluate the need for formal budgeted entries and determine consistent procedures which will aid in the meaningful preparation of interim financial statements.

RESPONSE:

This recommendation will be discussed with the accounting division and, if appropriate, will be implemented.

RECOMMDENATION #10:

The retirement board should review a random sample of applications for refunds and document this review in the retirement board minutes.

RESPONSE:

We do not concur in this recommendation. The retirement board does not feel that it is appropriate to review a random sample of applications and document this review in the retirement board minutes. The random sampling of the withdrawals is accomplished at the time of our biennial audit and provides a much better check than that which might be accomplished by the retirement board, which meets only quarterly, and is not familiar with the withdrawal or refund procedures.

RECOMMENDATION #11:

The retirement board minutes should be approved and signed in a timely manner.

RESPONSE:

We concur in this recommendation.

RECOMMENDATION #12:

The retirement board minutes should include documentation of all significant agreements entered into by the retirement system.

RESPONSE:

We concur in this recommendation.

RECOMMENDATION #13:

Record depreciation expense annually on the building investment.

RESPONSE:

We concur in this recommendation. Depreciation expense is generally recorded annually on the building investment, however, the depreciation for 1974-75 failed to be recorded, but the necessary adjustments have been made. In the future, the depreciation expense will be recorded on an annual basis.

RECOMMENDATION #14:

Consideration should be given to retaining a qualified member of the medical profession to assist in the determination of the degree of incapacity of a member applying for disability benefits.

RESPONSE:

We do not concur in this recommendation. It is the opinion of the retirement board that there is no need to retain a qualified member of the medical profession to assist in determination of the degree of incapacity of a member applying for disability benefits. It is the practice of the board to solicit additional information from the physician completing the physician's statement, if the information is not sufficiently detailed to provide the board with information it requires in order to make a determination whether an individual qualifies for disability benefits.

RECOMMENDATION #15:

Determine procedures which would provide for the accurate reporting of social security numbers on I.R.S. Form W-2P.

RESPONSE:

We concur in this recommendation.

RECOMMENDATION #16:

Continued effort should be made to finalize the conversion to the computerized system for membership savings accounts.

RESPONSE:

We concur in this recommendation.

RECOMMENDATION #17:

Membership savings accounts should be reconciled to the control totals within the general ledger as often as practical.

RESPONSE:

We concur in this recommendation.

RECOMMENDATION #18:

Procedures should be implemented which will provide for the strengthening of the internal controls relating to the verification of wages which are reported by the individual agencies of the retirement system.

RESPONSE:

We concur in this recommendation, however, we are of the opinion that verification of the wages reported should be accomplished at the time of the audit of the school district by the Department of Community Affairs. This matter will be discussed with the Department of Community Affairs.

The next item considered by the board was authorization of delegates to the National Conference on Public Employee Retirement Systems in Portland, Oregon, March 27-31, 1977. Chairman Kearns stated that if only enough money was available to send one person to the conference, he would attend at his own expense. It was the consensus of the board that either the Executive Secretary or the Assistant Executive Secretary be authorized to attend if the Chairman was willing to attend at his own expense.

The Chairman asked if a meeting with the Investment Board would be advisable. It was the consensus of the board that the next meeting would be scheduled in April to coincide with the April meeting of the Investment Board.

The meeting was adjorned at 1:00 p.m. upon a motion by Dr. Simonsen and seconded by Mr. Burke.

J. William Kearns Jr
J. William Kearns,Jr., Chairman

Owen L Morris Jr
Owen L. Morris, Jr.
Executive Secretary

HOUSE BILL NO. 34

INTRODUCED BY BARDANOUVE

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE AND CLARIFY THE LAWS RELATING TO TEACHERS' RETIREMENT AND DEATH AND DISABILITY BENEFITS."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 75-6201, R.C.M. 1947, is amended to read as follows:

"75-6201. Definitions. As used in this title, unless the context clearly indicates otherwise, the following definitions apply:

(1) "Retirement system" means the teachers' retirement system of the state of Montana provided for in ~~section~~ 75-6202.

(2) "Retirement board" means the retirement system's governing board provided ~~by-section~~ for in 82A-212.

(3) "Employer" means the state of Montana, the trustees of ~~any~~ a district, or any other agency or subdivision of the state which employs [illegible] person who is designated a member of the retirement system.

(4) "Member" means ~~any~~ a person who has an individual account in the annuity savings fund; an active member is ~~any~~ a person included under the provisions of ~~section~~ 75-6209;

REFERENCE BILL

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an inactive member is ~~any~~ [illegible] person included under the provisions of ~~section~~ 75-6210.

(5) "Beneficiary" means ~~any~~ a person in receipt of [illegible] pension, annuity, [illegible] retirement allowance, or other benefit [illegible] provided by the retirement system.

(6) "Service" means the performance of such instructional duties or related activities as would entitle the person to active membership in the retirement syst[illegible] under the provisions of ~~section~~ 75-6209.

(7) "Prior service" means employment of the [illegible] nature as service defined in subsection (6) of this section, but rendered before September 1, 1937.

(8) "Creditable service" is that service defined by ~~section~~ 75-6212.

(9) "Regular interest" means interest at ~~four-per-cent (4%)~~ per annum compounded annually~~,~~ or at such other rate as may be set by the retirement board in accordance with ~~subsection-(2)-of-section~~ 75-6206(2).

(10) "Accumulated contributions" means the sum of all the amounts deducted from the compensation of a member or paid by a member and credited to his individual account in the annuity savings fund, together with interest. Regular interest shall be computed and allowed to provide [illegible] benefit at the time of retirement.

(11) "Earnable compensation" means the full rate of the

EXHIBIT (1)

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compensation, pay, or salary that would be payable to a member if he worked the full normal working time. In cases where compensation includes maintenance, the retirement board shall fix the value of that part of the compensation not paid in money.

(12) "Average final compensation" means the average of the earnable compensation of any ~~three-(3)~~ consecutive years on which contributions have been made by the member.

(13) "Annuity" means the payments made to a beneficiary for life which are derived from a member's accumulated contributions. All annuities shall be paid in equal monthly installments. The retirement board may make [redacted] annual payment to the beneficiaries of the difference between the rate of interest used in calculating the benefit from the annuity reserve fund and the interest earned on investments.

(14) "Pension" means the payments made to [redacted] beneficiary for life which are paid ~~into~~ out of the pension accumulation fund ~~derived--from--money--accumulated--by--employers~~. All pensions shall be paid in equal monthly installments.

(15) "Retirement allowance" means the annuity plus the pension.

(16) "Annuity reserve" means the present value of all payments to be made on account of [redacted] member's annuity ~~and~~ computed, with regular interest, [redacted] ~~upon~~ the basis of ~~such~~ the mortality tables ~~as-shall-be~~ adopted by the retirement

board ~~with-regular-interest~~.

(17) "Pension reserve" means the present value of all payments to be made on account of [redacted] pension ~~and~~ computed, with regular interest, on the basis of ~~such~~ the mortality tables ~~as-shall-be~~ adopted by the retirement board ~~with regular-interest~~.

(18) "Actuarial equivalent" means a benefit of equal value when computed, with regular interest, on ~~upon~~ the basis of ~~such~~ the mortality tables ~~as-shall-be~~ adopted by the retirement board ~~with-regular-interest~~.

(19) "Former retirement system" means the retirement system established under ~~sections~~ 1113 ~~to~~ through 1132 ~~inclusive,~~ of the Revised Codes of Montana, 1935."

Section 2. Section 75-6205, R.C.M. 1947, is amended to read as follows:

"75-6205. Powers and duties of retirement board. The retirement board ~~shall--have-the-power-and-it-shall-be-its duty-to~~ shall administer and operate the retirement system within the limitations prescribed by this ~~Title.-To~~ title and, to this end, it ~~shall-be~~ is the duty of the retirement board to:

(1) establish rules ~~and-regulations~~ necessary for the proper administration and operation of the retirement system;

(2) elect a chairman from its membership;

(3) appoint a secretary who may be one ~~(1)~~ of its members;

(4) employ technical or administrative employees who are necessary for the transaction of the business of the retirement system;

(5) approve or disapprove all expenditures necessary for the proper operation of the retirement system;

(6) keep a record of all its proceedings, which ~~shall~~ must be open to public inspection;

(7) publish a biennial report by ~~the--first--day--of January 1 of each year the legislative-assembly~~ legislature meets, ~~that-shall-report~~ which reports in detail the fiscal transactions for the ~~two--(2)~~ fiscal years immediately preceding the report due date, the amount of the accumulated cash and securities of the retirement system, and the last fiscal year balance sheet showing the assets and liabilities of the retirement system, and submit ~~such~~ the biennial report to the governor and furnish copies to the ~~legislative assembly~~ legislature;

(8) when the retirement board ~~deems~~ considers it necessary, designate a medical board to be composed of three physicians, who are not eligible to participate in the retirement system to investigate and report to the retirement board on all medical matters related to the administration of the retirement system;

(9) keep in convenient form that data which is necessary for actuarial valuation of the various funds of the retirement system and for checking the experience of the retirement system;

(10) designate an actuary to assist the retirement board with the technical actuarial aspects of the operation of the retirement system, which ~~shall--include~~ includes establishing mortality and service tables and making an actuarial investigation at least once every ~~five--(5)~~ years into the mortality, service, and compensation experience of the members and beneficiaries of the retirement system;

(11) prepare an annual valuation of the assets and liabilities of the retirement system;

(12) determine the eligibility of a person to become a member of the retirement system in accordance with the provisions of ~~section~~ 75-6209;

(13) prescribe a form for membership application which will provide adequate and necessary information for the proper operation of the retirement system;

(14) adopt policies for the determination of creditable service in the retirement system implementing the following guidelines:

(a) ~~One-(1)~~ year's creditable service shall be awarded for each year of full-time service, outside of vacation periods, but no more than ~~one-(1)~~ year's creditable service

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shall be awarded for service during the same school fiscal year~~.~~;

(b) ~~A--proportion-of-a-year's-creditable-service-shall be-allowed-for-part-time-service.-An~~ [redacted] equitable proration of [redacted] year's creditable service shall be awarded for part-time service~~.~~;

(c) ~~Not~~ not more than ~~one--(1)~~ month's creditable service shall be awarded for ~~one-(1)~~ or more continuous months of absence without pay~~.~~;

(15) grant retirement, disability, and other benefits under the provisions of ~~section~~ 75-6208;

(16) annually determine the rate of regular interest as prescribed in ~~section~~ 75-6206;

(17) establish and maintain the funds of the retirement system in accordance with the provisions of ~~section~~ 75-6207; and

(18) perform such other duties and functions as are required to properly administer and operate the retirement system."

Section 3. Section 75-6206, R.C.M. 1947, is amended to read as follows:

"75-6206. Financial administration of moneys. The members of the retirement board ~~shall-be~~ are the trustees of all moneys collected for the retirement system, and, as such trustees, they shall provide for the financial

administration of the moneys in the following manner:

(1) The moneys shall be invested and ~~re-invested~~ reinvested by the state board of investments.

(2) The retirement board annually shall establish the rate of regular interest.

(3) The retirement board annually shall divide among the several funds of the retirement system an amount equal to the average balance of ~~such~~ the funds during the preceding fiscal year multiplied by the rate of regular interest. In accordance with the provisions of ~~subsection (3)--(e)-of-section~~ 75-6207(4)(e), the amount to be credited to each fund shall be allocated from the interest and other earnings on the moneys of the retirement system actually realized during the preceding fiscal year, less the amount allocated to the expense fund under the provisions of ~~subsection-(5)(b)-of-section-75-6207~~ 75-6207(5).

(4) The state treasurer is the custodian of the collected retirement system moneys and of the securities in which ~~said~~ the moneys are invested. All expenditures from ~~such~~ the moneys ~~shall~~ may be made only upon claims signed by two ~~(2)~~ persons designated by the retirement board. A properly attested copy of a resolution of the retirement board designating such persons and bearing on its face specimen signatures of each person shall be filed with the department of administration as ~~his~~ its authority for

approving such claims.

(5) Except as herein provided, no member of the retirement board ~~nor~~ or any of its employees ~~shall~~ [redacted] have an interest, direct or indirect, in the gains or profits of any investment of moneys of the retirement system. No member of the retirement board [redacted] [redacted] any of its employees ~~shall~~ may, directly or indirectly, for himself or as an agent, in any manner use the moneys or deposits of the retirement system except to make such current and necessary expenditures as are authorized by the retirement board. No member of the retirement board [redacted] [redacted] any of its employees ~~shall~~ may become an endorser or surety or in any manner an obligor for moneys loaned by or borrowed from the retirement system.

(6) The retirement board may, in its discretion, transfer the amount in the annuity savings account of an inactive member to the pension accumulation fund if the account has been dormant for [redacted] period of ~~seven-(7)~~ years. No right of the member ~~shall~~ may be jeopardized by such transfer, and the amount shall be transferred back to the member's annuity savings account upon his request.

(7) All the funds established by ~~section~~ 75-6207, except the expense fund, shall be accounts in the agency fund of the treasury fund structure of the state. The expense fund shall be an account in the earmarked revenue

fund of the same treasury fund structure."

Section 4. Section 75-6207, R.C.M. 1947, is amended to read as follows:

"75-6207. Method of financing. (1) The retirement board shall establish and maintain the ~~following~~ funds described in subsections (2) through (5), in which all of the assets of the retirement system shall be credited according to the purpose for which the assets are held.

~~(1)~~(2) Annuity savings fund~~.--The~~ the annuity savings fund ~~shall-be~~ is a fund in which the contributions from the members to provide for their annuities shall be accumulated in individual accounts for each member. Contributions to and payments from the annuity savings fund shall be made in the following manner~~.~~:

(a) Each employer shall deduct from the compensation of each active member on ~~each-and-every~~ the payroll ~~of--such member~~ for each ~~and-every~~ payroll period subsequent to the date on which ~~such~~ the member became [redacted] member [redacted] amount equal to ~~six--and-one-eighth-percent-(6 1/8%)~~ of ~~such~~ the member's earnable compensation, but no employer ~~shall~~ [redacted] make any deductions for annuity purposes from the compensation of a member who has attained the age of ~~sixty (60)~~ and rendered ~~thirty-(30)~~ years of creditable service if such member elects not to contribute.

(b) ~~Such~~ The deductions shall be made notwithstanding

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that the minimum compensation provided by law for [redacted] member may be reduced thereby. Every member ~~shall-be-deemed~~ is considered to consent ~~and-agree~~ to the deductions prescribed by this section~~;~~, and payment of salary or compensation less the deductions ~~shall-be-a-full-and~~ is a complete discharge of all claims whatsoever for the services rendered by ~~such~~ ~~person~~ the member during the period covered by ~~such~~ the payment, except as to the benefits provided by the retirement system.

(c) In addition to the contributions deducted from compensation and subject to the approval of the retirement board, any member may redeposit in the annuity savings fund, by a single payment or by [redacted] increased rate of contribution, [redacted] amount equal to the [redacted] accumulated contributions which he has previously withdr[redacted] [redacted] any part thereof, plus interest in the amount the contributions would have earned had the contributions not been withdrawn~~,--or--any-part thereof,-which-he-had-previously-withdrawn~~.

(d) The accumulated contributions of a member, withdrawn by him~~,~~ or paid to his estate or to his designated beneficiary in event of his death, shall be paid from the annuity savings fund, and [redacted] amount equivalent to the difference between the accumulated contributions calculated at regular interest and the amount paid shall be transferred to the pension accumulation fund. Upon the retirement of a

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member, his accumulated contributions shall be transferred from the annuity savings fund to the annuity reserve fund.

~~(2)~~(3) Annuity reserve fund~~.--The~~ the annuity reserve fund ~~shall--be~~ is the fund in which ~~shall-be-held~~ the reserves [redacted] all annuities in force shall be held and from which shall be paid all annuities and all benefits in lieu of annuities shall be paid. ~~Should~~ If [redacted] beneficiary retired on account of disability ~~be~~ is restored to active service with a compensation not less than his average final compensation at the time of his last retirement, his annuity reserve shall be transferred from the annuity reserve fund to the annuity savings fund and credited to his individual account therein.

~~(3)~~(4) Pension accumulation fund~~.--The~~ the pension accumulation fund ~~shall-be~~ is the fund in which ~~shall--be accumulated-all~~ the reserves for ~~the~~ payment of ~~all~~ pensions shall be accumulated and from which pensions and benefits in lieu thereof shall be paid to or on account of beneficiaries credited with prior service. Contributions to and payments from the pension accumulation fund shall be made as follows:

(a) Each employer shall pay into the pension accumulation fund an amount equal to ~~six-and-one-fourth percent-(6 1/4%)~~ of the earnable compensation of each member employed during the whole or part of the preceding payroll period.

(b) If the employer is a district or community college district, the trustees shall budget and pay for the employer's contribution under the provisions of ~~section~~ 75-7204.

(c) If the employer is the superintendent of public instruction, [illegible] public institution of the state of Montana, [illegible] unit of the Montana university system, or the Montana state school for the deaf and blind ~~school,~~ the ~~legislative assembly~~ legislature shall appropriate to ~~each~~ the employer an adequate amount to allow the payment of the employer's contribution.

(d) If the employer is [illegible] county, the county commissioners shall budget and pay for the employer's contribution in the manner provided by law for the adoption of a county budget and for payments under ~~such~~ the budget.

(e) All interest and other earnings realized [illegible] the moneys of the retirement system shall be credited to the pension accumulation fund, and the amounts required to allow regular interest on the annuity savings fund~~,~~ and the annuity reserve fund shall be transferred to the respective funds from the pension accumulation fund.

(f) All pensions and benefits in lieu thereof, including pensions payable under ~~section~~ 75-6218, shall be paid from the pension accumulation fund.

(g) The retirement board may, in its discretion,

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transfer to and from the pension accumulation fund the amount of any surplus or deficit which may develop in the reserve creditable to the annuity reserve fund, as shown by actuarial valuation, and also ~~such-expenses-as-hereinafter provided~~ an amount to cover expenses of administration.

~~(4)~~(5) Expense fund~~.--The~~ the expense fund ~~shall-be~~ is the fund to which ~~shall--be--credited~~ all moneys for the administrative expenses of the retirement system shall [illegible] credited and from which the expenses of administration of the retirement system shall be paid, exclusive of amounts payable as retirement allowances or other benefits. The retirement board shall determine annually the amount required for the expense fund to defray the administrative expense in the ensuing fiscal year and shall credit such [illegible] amount to the expense fund from interest and other earnings realized [illegible] the moneys of the retirement system."

Section 5. Section 75-6208, R.C.M. 1947, is amended to read as follows:

"75-6208. Benefits. (1) The retirement, disability, and other benefits of the retirement system shall be granted on the basis of the ~~following~~ provisions~~:~~ of subsections (2) through (8).

~~(1)~~(2) Superannuation ~~member~~ retirement:

(a) ~~Any~~ A member ~~with-five-~~who has at least ~~(5)~~ years of creditable service, ~~the~~ whose last ~~five-(5)~~ years of

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~~which-shall-have-been~~ creditable service [redacted] in this state~~,~~ and who has attained the age of ~~sixty--(60),~~ or who has completed ~~thirty--(30)~~ years of creditable service~~,~~ may retire from service, if he files with the retirement board his written application setting forth the fact of his retirement.

(b) (i) Any member in service who has attained the age of ~~seventy-(70)~~ years during any school year shall be retired [redacted] ~~the--first--day--of~~ September 1 following his ~~seventieth~~ 70th birthday~~,~~. ~~except-that-this~~ This provision ~~shall~~ does not apply to teachers in the Montana university system, who may be employed beyond the age of ~~seventy--(70)~~ upon the recommendation of the president of the employing unit to the board of regents.

(ii) Members over ~~seventy-(70)~~ years of age ~~shall~~ [redacted] not:

~~(1)~~(A) be allowed creditable service for services rendered after the end of the school year in which the age of ~~seventy-(70)-is~~ [redacted] attained~~,~~;

~~(2)~~(B) contribute to the retirement system after the end of such school year~~,~~; and

~~(3)~~(C) have the compensation received after the end of such school year used in computing average final salary.

(c) Initial employment of teachers in the Montana university system beyond the age of ~~seventy-(70)~~ may be made

upon the recommendation of the president of the employing unit and the approval of the board of regents, but such employees shall be denied membership in the retirement system.

~~(c)~~(d) Any retired member may be employed as [redacted] part-time or substitute teacher in Montana and may earn an amount not to exceed one-fourth ~~(1/4)~~ of his average final compensation without loss of retirement benefits.

~~(2)~~(3) Allowance for superannuation retirement~~,~~:

(a) Upon superannuation retirement [redacted] member shall receive [redacted] retirement allowance ~~which---shall---consist~~ consisting of:

~~(a)~~(i) [redacted] [redacted] pension which, together with an annuity, ~~shall-provide~~ provides [redacted] retirement allowance equal to one-half ~~(1/2)~~ of his average final compensation, ~~provided~~ if his creditable service is at least ~~thirty-(30)~~ years~~,~~; or

(ii) ~~otherwise~~ a pension together with ~~his~~ [redacted] annuity ~~of~~ equal to ~~one-sixtieth-(1/60)~~ one-sixtieth of his average final compensation multiplied by the number of years of creditable service, if his creditable service is less than 30 years.

(b) The minimum annual retirement allowance for [redacted] member who has completed ~~thirty--(30)~~ or more years of service ~~shall-be-twenty-four-hundred-dollars-(~~ is $2,400~~)~~, and the minimum retirement allowance for [redacted] member whose service is less than ~~thirty-(30)~~ years ~~shall-be~~ is based on ~~the-proportionate-amount-of-twenty-four-hundred-dollars-(~~ an amount which bears the same ratio to $2,400~~)-that~~ as his service bears to ~~thirty-(30)~~ years ~~of-service~~.

(c) On July 1, 1975, and July 1, 1976, every beneficiary receiving a retirement allowance ~~shall~~ will be entitled to an increase in his monthly retirement allowance of ~~one-fourth-of-one-percent-(.25%)~~ 1/4 of 1% multiplied by the number of months he has been retired during the preceding fiscal year.

(d) ~~Any~~ A member who has ~~completed-five-(~~ at least 5~~)~~ years of creditable service, ~~the~~ whose last ~~five~~ 5 years of ~~which-shall-have-been~~ creditable service were in this state, and who has attained the age of ~~fifty-five-(55)~~ may retire from service and be eligible ~~to~~ for an early retirement allowance, if he files with the retirement board his written application setting forth the fact of his retirement. The early retirement allowance shall be determined as prescribed in ~~subsections-(a)-through-(f)-above~~ subsections (3)(a) and (3)(b), with the ~~further-provision~~ exception that ~~such~~ the allowance will be reduced by ~~one-half-of-one--percent--(.5%)~~ 1/2 of 1% multiplied by the number of months by which the retirement date precedes the date on which he would have retired had he attained ~~sixty-(60)~~ years of age or had he completed ~~thirty-(30)~~ years of creditable service.

(e) In the event of the death of a member after retirement, a death benefit of ~~five-hundred-dollars-($500)~~ ~~will-be~~ is payable to his designated beneficiary.

(f) In the event payments made to an annuitant do not equal the amount of the member's accumulated contributions prior to the annuitant's death, the difference between the total retirement allowance paid and the amount of the accumulated contributions shall be paid to the beneficiary.

~~(3)~~(4) Disability ~~member~~ retirement:

(a) Upon the application of an active member or of his employer for a disability retirement allowance, any active member who has ~~five-(5)~~ or more years of creditable service may be retired by the retirement board the month immediately following the month in which his disability caused his retirement. ~~upon--filing-an--application--for--a--disability retirement-allowance.-Before-any~~ In order for a member ~~shall~~ to be eligible for a disability retirement, the retirement board ~~of-the-retirement-system-shall~~ must certify that he is mentally or physically incapacitated for the further performance of his duties, that such incapacity is likely to be permanent, and that he should be retired.

(b) ~~Re-examination-of-beneficiaries-retired-on-account of--disability.~~ Once each year during the first ~~five-(5)~~ years following the retirement of a member on a disability retirement allowance, and once in every ~~three-(3)-~~year

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period thereafter, the retirement board may require, and upon ~~his~~ the beneficiary's application, shall~~,--require~~ permit a disability beneficiary who has not yet attained the age of ~~sixty-(60)~~ to undergo a medical examination by the medical board or a physician or physicians designated by the medical board. The examination shall be made at the place of residence of the beneficiary or other place mutually agreed upon. Should ~~any~~ a disability beneficiary who has not yet attained the age of ~~sixty-(60)~~ refuse to submit to at least one ~~(1)~~ medical examination in any year by the medical board or its representative, his allowance may be discontinued until his withdrawal of such refusal, and, should his refusal continue for ~~one-(1)~~ year, all his rights in and to his disability pension may be revoked by the retirement board.

(c) ~~Should~~ If the medical board ~~report~~ reports and ~~certify~~ certifies to the retirement board that any disability beneficiary is engaged in or is able to engage in a gainful occupation paying more than the difference between his retirement allowance and his average final compensation and ~~should~~ if the retirement board ~~concur~~ concurs in such report, ~~then-the-amount-of~~ his pension shall be reduced to an amount which, together with his annuity and the amount earnable by him, ~~shall-equal-the-amount-of~~ is equal to his average final compensation. ~~Should~~ If his earning capacity

~~be~~ is changed later, ~~the--amount--of~~ his pension may be further modified, but the new pension ~~shall~~ may not exceed ~~the-amount-of~~ the pension originally granted~~,--nor~~ or an amount which, when added to the amount earnable by the beneficiary, together with his annuity, equals ~~the-amount-of~~ his average final compensation. A beneficiary restored to active service at a salary less than the average final compensation upon the basis of which he was retired ~~shall~~ may not become a member of the retirement system while receiving a reduced benefit.

(d) ~~Should~~ If a disability beneficiary under age ~~sixty (60)-be~~ is restored to active service at a compensation not less than his average final compensation, his retirement allowance shall cease, and he shall again become an active member of the retirement system. Any prior service certificate on the basis of which his service was computed at the time of his disability retirement shall be restored to full force, and ~~effect-on-addition,~~ upon his subsequent retirement, ~~and~~ he shall be credited with such prior service and all his subsequent service as a member. ~~Should~~ If he ~~be~~ is restored to active service on or after the attainment of the age of ~~fifty-five--(55)~~ years, his pension upon subsequent retirement ~~shall~~ may not exceed the pension that he would have received had he remained in service during the period of his previous retirement ~~nor~~ or the sum of the pension which he was receiving immediately prior to his last restoration to service and the pension that he would have received on account of his service since his last restoration had he entered service at that time as a new member.

~~(4)~~(5) Allowance for disability retirement~~.~~:

(a) Upon retirement for disability, [illegible] member shall receive [illegible] the superannuation allowance and other benefits prescribed under subsection ~~(2)--above~~ (3), if he is eligible~~.~~.

(b) ~~otherwise~~ If he is not eligible for the benefits prescribed under subsection (3), he shall receive [illegible] disability retirement allowance which ~~shall-consist~~ consists of:

~~(a)~~(i) ~~An~~ [illegible] annuity which ~~shall-be~~ is the actuarial equivalent of his accumulated contributions at the time of retirement~~.~~; and

~~(b)~~(ii) [illegible] a pension which, together with his annuity, ~~shall-provide~~ provides [illegible] total retirement allowance equal to ~~one--sixtieth--(1/60)~~ one-sixtieth of his average final compensation multiplied by the number of years of his creditable service, if such retirement allowance exceeds ~~one-quarter---(1/4)~~ one-fourth of his average final compensation; otherwise, a pension which, together with his annuity, ~~shall-provide~~ provides a total retirement allowance

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equal to ~~one-quarter-(1/4)~~ one-fourth of his average final compensation~~,~~. ~~provided,-however,-that~~

(c) ~~no-such~~ No allowance ~~shall~~ under subsection (5)(b) may exceed ~~one-sixtieth-(1/60)~~ one-sixtieth of his average final compensation multiplied by the number of years which would be creditable to him were his service to continue until the attainment of the minimum age for superannuation retirement.

~~(c)~~(d) In the event payments made to ~~a-person--retired because--of--disability~~ an annuitant do not equal the amount of ~~his~~ the [illegible]'s accumulated contributions prior to ~~his~~ the annuitant's death, the difference between the total retirement allowance paid and the amount of the accumulated contributions ~~of---the---member~~ shall be paid to the beneficiary.

~~(5)~~(6) Withdrawal of accumulated contributions~~.--Any~~ any inactive member electing to do so or any person whose membership terminates may withdraw his accumulated contributions ~~to~~ from his annuity account in the retirement system in accordance with the following provisions:

(a) An inactive member under the provisions of ~~subsections~~ subsection (1) or (3) of ~~section~~ 75-6210 may elect, without right of revocation, to withdraw his accumulated contributions~~,~~. ~~and-if~~ If he does not withdraw his accumulated contributions, he ~~shall--thereafter--remain~~

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remains an inactive member of the retirement system with the right to qualify for ~~the~~ its benefits ~~of-the-retirement system~~.

(b) Upon recovery from [illegible] disabling illness or separation from the armed forces, any person qualifying as an inactive member under the provisions of ~~subsection-(2)-of section~~ 75-6210(2) may withdr[illegible] his accumulated contributions unless he returns to active membership.

(c) Any person whose membership terminates under the provisions of ~~subsection--(4)--of--section~~ 75-6211(4) may withdr[illegible] his accumulated contributions.

~~(6)~~(7) Allowances for death of member~~.~~:

(a) ~~Should~~ If [illegible] member ~~die~~ dies before retirement, ~~the amount--of--the-member's~~ his accumulated contributions shall be paid to his estate or such person as he may have ~~designated--in-the-manner-prescribed-by-the-retirement-board which-shall-be-filed-with-the-board-prior--to--the--member's death~~ nominated by a written designation filed with the retirement board prior to his death in the [illegible] prescribed by the board.

(b) (i) In lieu of benefits provided for in subsection (7)(a) ~~above~~, if the deceased member ~~had~~ qualified by reason of service for [illegible] retirement benefit, the beneficiary nominated by the deceased member may elect to receive a monthly life annuity. The monthly life annuity shall be

determined as prescribed in subsections ~~(2)-(a)-through-(2)(h)-assuming~~ (3)(a), (b), and (d) in the same manner as if the member ~~had~~ elected option [illegible] ~~as-prescribed~~ provided for in subsection ~~(7)-(a)-below~~ (8)(b)(i).

(ii) In the event payments made to an annuitant do not equal the amount of the member's accumulated contributions prior to the annuitant's death, the difference between the total annuity payments made and the amount of the accumulated contributions shall be paid to the beneficiary.

(c) ~~In--addition,--if~~ If the deceased member had ~~five (5)~~ or more years of creditable service and was an active member in the state of Montana within ~~one-(1)~~ year prior to his death, a ~~lump-sum~~ lump-sum death benefit of $500 ~~will-be~~ is payable to his designated beneficiary.

~~(c)~~(d) If the deceased member had ~~five--(5)~~ or more years of creditable service and was an active member in the state of Montana within ~~one-(1)~~ year prior to his death, the sum of ~~one-hundred-dollars-($100)~~ per month shall be paid to each minor child of the deceased member until such child reaches his ~~eighteenth-(18th)~~ birthday.

~~(7)~~(8) Optional allowances~~.~~: ~~With-the-provision-that no--optional--selection--shall--be--effective--in---case---a beneficiary--dies--within-thirty-(30)-days-after-retirement, and-that-such-a-beneficiary-shall-be-considered-as-an-active member-at-the-time-of-his-death;-until-the-first-payment--on~~

~~account--of-any-benefit-becomes-normally-due,-any-member-may elect-to-receive-his-benefit-in-a-retirement--or--disability allowance--payable--throughout-life-as-hereinabove-provided. This-benefit-shall-be-referred-to--as--the--normal--form--of retirement-allowance.~~

(a) Until the first payment on account of any benefit becomes normally due, any member may elect to receive one of the optional allowances described in subsection (8)(b) in lieu of the normal form of retirement allowance, which is provided for in subsections (3) and (5). If a beneficiary dies within 30 days after retirement, his election to receive an optional allowance is void and his death will be considered as that of an active member.

(b) ~~In--lieu--of--normal-form-of-retirement-allowance, the-member-may-elect-on~~ An optional allowance ~~which-would-be~~ is the actuarial equivalent of the member's retirement or disability allowance at the time of his retirement ~~or disability-allowance~~ and ~~would-provide~~ provides an allowance payable to him throughout his lifetime and, upon his death ~~continue~~, an allowance payable to ~~such~~ the person ~~as~~ that he ~~shall---nominate~~ nominated by written designation, duly acknowledged and filed with the retirement board at the time of his retirement, ~~with-the--provision--that~~ in accordance with one of the following options:

~~(a)~~(i) Option A~~.--The~~ the optional allowance will

~~continue~~ be paid to the member ~~during~~ throughout his lifetime and, upon his death, continue throughout the lifetime of his designated beneficiary; ~~or~~

~~(b)~~(ii) Option B~~.--The~~ the optional allowance will ~~continue~~ be paid to the member throughout his lifetime and, upon his death, one-half ~~(1/2)~~ of ~~his~~ the optional allowance will be continued throughout the lifetime of his designated beneficiary; ~~or~~

~~(c)~~(iii) Option C~~.--The~~ the optional ~~benefit~~ allowance will ~~continue~~ be paid to the member throughout his lifetime and, upon his death, two-thirds ~~(2/3)~~ of the optional allowance ~~shall~~ will be continued throughout the lifetime of his designated beneficiary; ~~or~~

~~(d)~~(iv) Option D~~.--The~~ the optional allowance ~~shall continue~~ will be paid to the member while both the member and his designated beneficiary are living and, upon the death of either, one-half ~~(1/2)~~ of the optional allowance ~~shall~~ will be continued throughout the lifetime of the survivor; ~~or~~

~~(e)~~(v) Option E~~.--The~~ the optional allowance will be ~~payable~~ paid to the member while both the member and his designated beneficiary are living and, upon the death of either, two-thirds ~~(2/3)~~ of the optional allowance ~~shall~~ will be continued throughout the lifetime of the survivor; or

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~~(f)~~(vi) Option ~~F.--Some~~ [illegible] other benefit ~~or--benefits~~ ~~shall~~ will be paid either to the member or his surviving designated beneficiary~~.~~ ~~The~~ in accordance with provisions ~~of this--retirement--allowance--shall--be~~ approved by the retirement board."

Section 6. Section 75-6209, R.C.M. 1947, is amended to read as follows:

"75-6209. Active membership. (1) ~~Any--of~~ Unless otherwise provided by this title, the following persons ~~shall~~ must be active members of the retirement system ~~unless otherwise--provided--by--this-Title,~~ with the exception that ~~except-for~~ those persons who became eligible for membership on ~~the--first--day--of~~ September 1, ~~nineteen-hundred-and thirty-seven-(1937)~~, or on ~~the-first--day--of~~ September 1, ~~nineteen-hundred-and-thirty-nine-(1939)~~, and who elected not to ~~be--a--member~~ become members under the provisions of the law at that time are not required to be members:

~~(1)~~(a) ~~Any~~ any person who is [illegible] teacher, principal, or district superintendent as defined ~~under-the-provisions-of section~~ in 75-6101~~.~~;

~~(2)~~(b) ~~Any~~ any person who is an administrative officer or [illegible] member of the instructional or scientific staff of a unit of the Montana university system~~.~~, except as provided in 75-6208(2)(c);

~~(3)~~(c) ~~Any~~ any person employed in an instructional

services capacity by the office of the superintendent of public instruction, the office of [illegible] county superintendent, a public institution of the state of Montana, the Montana state school for the deaf and blind ~~school,~~ or [illegible] school district~~.~~;

~~(4)~~(d) ~~Any~~ any person who ~~shall-have~~ has elected not to become a member of the retirement system and is ~~re-entering~~ reentering service in a capacity prescribed by ~~subsections--(1),-(2)-and-(3)-above,~~ subsection (1)(a), (b), or (c);

~~(5)~~(e) ~~Any~~ [illegible] person who ~~shall-have~~ [illegible] elected not to become [illegible] member of the retirement system, who has been continuously employed in a capacity prescribed by ~~subsections--(1),-(2)-and-(3)-above,~~ subsection (1)(a), (b), or (c), time of such election, and who may thereafter elect to become a member of the retirement system~~.~~;

(2) ~~Any--person--who--is--designated--a-member-by-this section-shall~~ In order to be eligible for active membership, any person described in subsection (1) must:

(a) be employed full time, outside of vacation periods, in the capacity prescribed for his eligibility; except that, when a person is employed less than full time, the retirement board may allow ~~such-person~~ him to become a member of the retirement system~~.~~; and

(b) ~~The~~ have the compensation for ~~the~~ his creditable service ~~of--any--person--who-is-designated-a-member-by-this section-shall-be~~ totally paid by an employer as defined herein~~,~~; except that, when this requirement is not satisfied, the retirement board may allow ~~such-a~~ the person to become a member of the retirement system.

(3) At any time ■ person's eligibility to become a member of the retirement system is in doubt, the retirement board shall determine his eligibility for membership."

Section 7. Section 75-6211, R.C.M. 1947, is amended to read as follows:

"75-6211. Membership termination. The active or inactive membership in the retirement system of any person ~~shall-terminate~~ terminates when:

(1) he retires on ■ retirement allowance of the retirement system;

(2) he dies;

(3) he withdraws his accumulated ~~contribution~~ contributions to the retirement system under the provisions of ~~subsection-(5)-of-section~~ 75-6208(6); or

(4) he ceases to be employed in ■ capacity that allows his membership, he has less than ~~five--(5)~~ years of creditable service in the retirement system, and he cannot qualify under the provisions of ~~subsection--(2)--of--section~~ 75-6210(2)."

Section 8. Section 75-6212, R.C.M. 1947, is amended to

read as follows:

"75-6212. Membership application and creditable service. (1) Whenever a person becomes eligible for membership in the retirement system, he shall apply for ~~such~~ membership on the application form prescribed by the retirement board.

(2) The creditable service of a member ~~shall--begin~~ begins on the receipt of the membership application by the retirement board and ~~shall--accumulate~~ accumulates to the member's credit on the basis of the retirement board's policy governing creditable service.

(3) The creditable service of ~~any~~ ■ member ~~shall include~~ includes the following:

~~(1)~~(a) each year of service ~~of--a-member~~ for which contributions to the retirement system were deducted from his compensation under the provisions of ~~chapter~~ Chapter 87, Laws of 1937, ~~chapter~~ Chapter 215, Laws of 1939, this act, and their subsequent amendments, except that no credit ~~shall~~ may be awarded for those years of service for which the contributions have been withdrawn and not replaced; ~~plus~~

~~(2)--any-out-of-state-employment-service-awarded-by-the retirement--board--under--the-provisions-of-section-75-6213; plus~~

~~(3)~~(b) any service awarded by ■ prior service certificate issued under the provisions of ~~chapter~~ Chapter

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87, Laws of 1937, ~~chapter~~ Chapter 215, Laws of 1939, and their subsequent amendments~~,~~ or under the provisions of ~~section~~ 75-6213; ~~plus~~

(c) any out-of-state employment service awarded by the retirement board under the provisions of 75-6213;

~~(4)--the--creditable---service---established---by---the retirement--board-under-the-provisions-of-this-section-shall be-final-and-conclusive-for-the-purposes-of--the--retirement system--unless,--at-any-time,-the-retirement-board-discovers an-error-or-fraud-in-the--establishment--of--the--creditable service,---in---which---case---the--retirement--board--shall re-establish-the-creditable-service;-plus~~

~~(5)~~(d) any service awarded for employment while on leave under ~~section~~ 75-6213~~.~~; and

(e) any service in the military, red cross, or merchant marine awarded by the retirement board under 75-6213.

(4) The retirement board's determination of creditable service under this section is final and conclusive for the purposes of the retirement system unless, at any time, the board discovers an error or fraud in the establishment of creditable service, in which case the board shall redetermine the creditable service."

Section 9. Section 75-6213, R.C.M. 1947, is amended to read as follows:

"75-6213. Creditable service for out-of-state employment, employment while on leave, ~~for-active~~ service in the ~~armed-forces-of--the--United--States--and--the--American~~ military, red cross, or merchant marine, and ~~before September,-1937~~ prior service. (1) ~~Any~~ [redacted] person applying for membership ~~also~~ may also apply for creditable service in the retirement syst[redacted] for out-of-state employment service that would have been acceptable under the provisions of this title if such service [redacted] had been performed in the state of Montana. The person shall be awarded creditable service, conditional upon his completing ~~five--(5)~~ years of active membership in Montana, for the number of years, [redacted] exceeding 5, that the retirement board determines to be creditable service ~~but-for-not-more-than-five-(5)-years,~~ if he contributes to the retirement system [redacted] amount equal to the employee contribution for his first full year's teaching salary earned in Montana after his out-of-state service for each year of creditable service plus interest at the rate the contribution would have earned had the contribution been in his account upon the completion of ~~five-(5)~~ years of membership service in Montana. The contribution rate shall be that rate in effect at the time he is eligible for such service. The contributions may be made in a lump-sum payment or in installments as agreed between the person and the retirement board~~;~~. and

~~(1)~~(2) ~~Any~~ A person applying for membership ~~also~~ may also apply for creditable service in the retirement system for employment while on leave. The person shall be awarded creditable service, conditional upon his having been a member prior to his leave and upon his completing ~~five-(5)~~ years of active membership in Montana subsequent to his return, ~~provided~~ if his employment while on leave enhanced his teaching experience as determined by the board. The person shall be awarded creditable service as determined by the board ~~but-for-not-more-than-two-(2)-years~~ in an amount not exceeding 2 years, if he contributes to the retirement system an amount equal to the combined employer and employee contributions for his first full year's teaching salary earned in Montana after his return from leave for each year of creditable service plus interest at the rate the contribution would have earned had the contribution been in his account upon the completion of ~~five--(5)~~ years of membership service in Montana. The contribution rate shall be that rate in effect at the time he is eligible for such service. The contribution may be made in a lump-sum payment or in installments as agreed between the person and the retirement board~~;~~. [illegible]

~~(2)~~(3) ~~Any~~ A person applying for membership ~~also~~ may also apply for creditable service in the retirement system for active service in the armed forces of the United States,

which includes the army, navy, marine corps, air force, and coast guard, or in the American red cross or merchant marine. The person shall be awarded creditable service, conditional upon his completing ~~five--(5)~~ years of active membership in Montana, for the number of years, not exceeding 2, that the retirement board determines to be creditable service ~~but-for-not-more-than-two-(2)-years,~~ if he contributes to the retirement system an amount equal to the combined employer and employee contributions for his first full year's teaching salary earned in Montana following the active service in the armed forces of the United States or in the American red cross or merchant marine for each year of creditable service plus interest at the rate the contribution would have earned had the contribution been in his account upon completion of ~~five-(5)~~ years of membership service in Montana. The contribution rate shall be that rate in effect at the time he is eligible for such service. The contribution may be made in a lump-sum payment or in installments as agreed between the person and the retirement board~~;~~. ~~however~~

~~(3)~~(4) ~~In--no--event--will--the~~ The total creditable service for out-of-state teaching, employment while on leave, ~~or-while-on~~ and active service in the armed forces of the United States or the American red cross or merchant marine may not exceed ~~five-(5)~~ years.

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(5) ~~Whenever-a~~ [redacted] member who is retiring with at least ~~five--(5)~~ years of creditable service and ~~he~~ [redacted] has been an active member for at least ~~five--(5)~~ consecutive school fiscal years~~,--he~~ may request creditable service for any employment service he rendered prior to ~~the--first--day--of~~ September 1, ~~nineteen-hundred-and-thirty-seven-(~~1937~~)~~, for which he has not received a prior service certificate. In order to receive ~~such~~ the creditable service, he ~~shall~~ must apply for it and provide certification of ~~such~~ the prior service. The retirement board shall determine the amount of creditable service to be awarded, if any, and issue [redacted] prior service certificate."

Section 10. Section 75-6214, R.C.M. 1947, is amended to read as follows:

"75-6214. Duties of employer. ~~It-shall-be-the-duty--of each~~ Each employer ~~to~~ shall:

(1) deduct the contribution of each member employed by him at the rate prescribed by ~~subsection-(1)-of-section~~ 75-6207(2) from each salary payment for each payroll period~~,~~ and transmit the contribution each month to the secretary of the retirement board;

(2) pay to the secretary of the retirement board the employer's contribution prescribed by ~~subsection--(3)-of section~~ 75-6207(4), at the time that the employee contributions are transmitted to the secretary ~~of--the~~

~~retirement-board~~;

(3) keep records and, [redacted] required by the retirement board, furnish information to the ~~retirement~~ board that is required in the discharge of the ~~retirement~~ board's duties;

(4) upon the employment of ~~any~~ [redacted] person who is required to become [redacted] member of the retirement system, inform him of his rights and obligations ~~related~~ relating to the retirement system~~.~~; ~~Each~~ a person ~~accepting-such~~ who accepts employment ~~shall--be-deemed-to-consent~~ for which membership is required is considered to have consented to membership and to the withholding of [redacted] contributions from his compensation;

(5) at the request of the retirement board, certify the [redacted] of all persons who are eligible for membership or who are members of the retirement ~~board~~ SYSTEM; and

(6) notify the retirement board of the employment of [redacted] person eligible for membership and forward his membership application to the ~~retirement~~ board."

SECTION 11. SECTION 75-6216, R.C.M. 1947, IS AMENDED TO READ AS FOLLOWS:

"75-6216. Guarantee by state. Regular interest charges payable, the creation and maintenance of reserves in the pension accumulation fund, and the maintenance of annuity reserves in the annuity reserve fund ~~and-of-pension-reserves in-the-pension-reserve-fund~~, as provided for in this ~~title~~

title, and the payment of all annuities, pensions, refunds, and other benefits granted under the retirement system are ~~hereby-made~~ obligations of the state of Montana."

Section 12. Section 75-6217, R.C.M. 1947, is amended to read as follows:

"75-6217. ~~Protection--against~~ Penalty for fraud -- correction of erroneous payments. (1) ~~Any~~ A person who ~~shall~~ knowingly ~~make-any~~ makes a false statement, or ~~shall-falsify~~ who falsifies or ~~permit~~ permits to be falsified any record ~~or-records~~ of ~~this~~ [illegible] retirement system in ~~any~~ an attempt to defraud ~~such~~ the system ~~as-a-result-of-such-act,-shall-be~~ is guilty of a misdemeanor and ~~shall--be~~ is punishable ~~therefor-under-the-laws-of-the-state-of-Montana~~ as provided by law.

(2) ~~Should--any~~ If a change or error in the records ~~result~~ results in ~~any~~ a member or beneficiary receiving from the retirement [system] more or less than he would have been entitled to receive had the records been correct, then, on discovery of ~~any-such~~ the error, the retirement board shall correct ~~such~~ the error, and, as far as practicable, shall adjust the payments in such a manner that the actuarial equivalent of the benefit to which ~~such~~ the member or beneficiary was correctly entitled ~~shall~~ will be paid."

-End-

11-S

EXECUTIVE SECRETARY'S REPORT

April 25, 1977

The following bills have passed the legislature and have been signed by the Governor:

HB 34 - Recodification
HB 289 - Adds a retired teacher to the board
HB 565 - Provides an increase of $1.00 per month for each year of service and $2.00 per month for each year retired for those retired prior to July 1, 1971 and changes employee contribution rate to 6.187% and employer contribution rate to 6.312%.
HB 765 - General revision for IRS qualification.

House Bills 34, 289 and 565 become law on July 1, 1977. House Bill 765 became law on April 7, 1977, the day it was signed by the Governor.

We have hired Mr. Tom Murphy, a recent graduate of Carroll College, to assist our accountant. Mr. Murphy is hired on a temporary basis, until June 30, 1977, from funds available under our current budget. It appears that the legislature has included the additional position we requested in our budget, and, if so, Tom will fill that position on July first, 1977.

Chairman Kearns and myself attended the National Conference on Public Employee Retirement Systems in Portland, Oregon, March 27-31, 1977. The subject matter was similar to that of the NCTR regarding investments, portfolio assessment and evaluation, and federal regulation of public retirement systems. Several state teacher systems and public employee systems were represented, as well as several representatives of police and firemen systems. The conference differed from NCTR in that all of the sessions were for the entire group, rather than breaking down to workshop type sessions.

Bob Johnson and I will be talking to teachers around the state between now and June. We will be in Lewistown and Billings in early May and will be scheduling other schools as soon as the lists of teachers are submitted to us. In order to hold down costs, we have asked those schools that have requested a visit to submit a list of those interested in talking to us. If there are only a handful we try to answer their questions by telephone or letter before we commit a trip.

MINUTES

TEACHERS' RETIREMENT BOARD

MEETING APRIL 25, 1977

The meeting was called to order at 9:00 a.m. by the Chairman. Those present were:

J. William Kearns, Jr., Chairman
James E. Burke
James N. Dennehy
Georgia Rice
Lorence B. Simonsen
Owen L. Morris, Jr., Executive Secretary
F. Robert Johnson, Assistant Executive Secretary

The following visitors were admitted to the meeting: Dr. Irving Dayton and Mr. Steve Veazie, Attorney, both from the office of the Commissioner of Higher Education; Mr. George Mitchell, University of Montana Legal Counsel; Professor Harold Holum, Chairman of the University System Faculty Council; Professor Fred Henningson, Chairman, University of Montana Faculty Benefits Committee; and Mr. Michael Young, Administrator, Insurance and Legal Division, Department of Administration.

The Executive Secretary presented a letter from Mr. Mitchell, (attached as exhibit A) and a memorandum from Mr. Veazie, (attached as exhibit B), both suggesting that sabbatical leave be treated as creditable service.

A lengthy discussion ensued concerning the various types of leave and whether current law would allow credit for paid sabbatical leave. At the end of the discussion the Chairman stated that the board would discuss the matter further and suggested that Mr. Young and Mr. Veazie provide the Executive Secretary with any further information that might allow credit for sabbatical leave without further legislation. The Chairman thanked the visitors for their attendance and they were excused from the meeting.

Before Mr. Young left the meeting he advised the board that Dean Robert Sullivan had appealed his case to the Montana Supreme Court, however, no hearing date has been set.

The minutes of the meeting held December 17, 1976 and the special meeting held January 13, 1977 were approved upon a motion by Mr. Burke and seconded by Mr. Dennehy.

The board next reviewed the Executive Secretary's report which was orderd placed on file by the Chairman.

The financial reports, investment reports, budget reports and mortgage delinquency reports were reviewed by the board. After examination and discussion they were ordered placed on file for further reference.

At this point Chairman Kearns stated that he and Mr. Dennehy attended the meeting of the Board of Investments on April 22, 1977. Mr. Dennehy stated the report on the equity portfolio by Scudder, Stevens and Clark, Investment Counsel, indicates that the Board of Investment's performance in common stock is one of the highest in the nation. Mr. Kearns stated that the Board of Investments is now buying more mortgages in the state.

The board next discussed the results of the annual disability review. The Executive Secretary stated that the review showed that Robert Singer earned $106.93 more than he was entitled to earn. Mr. Dennehy moved that Mr. Singer be advised in writing that in the future, should he earn more than the difference between his annual benefit payment and his average final salary, his disability benefits would be discontinued. The motion was seconded by Mr. Burke and approved.

The Executive Secretary stated that those disability retirees who had not submitted the Attending Physician's Report of Continued Disability, and earnings statements, had been notified that further payments would be withheld until these documents were received. The board concurred in this action.

The Executive Secretary next requested authority to hire two more accountants on a temporary basis to assist with member account balancing. He stated that approval would have to be obtained from the budget office but that funds were available due to lower than anticipated data processing costs. The board approved the request upon a motion by Dr. Simonsen and seconded by Mr. Dennehy.

The biennial actuarial valuation of the system was next considered by the board. Mr. Burke moved that Mr. Alton Hendrickson be authorized to conduct the valuation at his proposed cost of $5,560.00. The motion was approved after a second by Mr. Dennehy.

The Chairman next read a memo from Mr. Hendrickson to the board suggesting the use of a more modern actuarial table. The actuarial table presently used is the 1951 Group Annuity Male Mortality Table at 4% projected to 1965.

Mr. Hendrickson recommended adopting the 1971 Group Annuity Mortality Table and also recommended that female and male rates be consolidated to arrive at a unisex table in order to continue with the policy of making no distinction between the sexes. Mr. Hendrickson's recommendation was accepted by the board upon a motion by Mr. Dennehy and seconded by Mr. Burke.

A general discussion followed with regard to the recent legislative session. It was the consensus of the board that overall we didn't fare too badly. The Executive Secretary informed the board that the appropriation for the biennium, although less than requested, appears to be adequate and the requested additional position was granted.

At this point Chairman Kearns explained his action in hiring a lobbyist and presented a written statement which he asked be incorporated in the minutes. This statement is attached as exhibit C.

The Executive Secretary then asked that the board consider rescinding its rule that a member would not be granted a disability retirement after attaining age 60, but would be placed on regular retirement. He further explained that, except in the case of minimum disability benefits for those with less than 15 years of membership service, there would be no cost to the system, but would result in a definite tax advantage to the member. Mr. Burke moved that the rule be rescinded. The motion was seconded by Dr. Simonsen and approved by the board.

Applications for retirement, survivor's and disability benefits were next considered by the board. After thorough review, the following applications were approved upon a motion by Mr. Dennehy and seconded by Dr. Simonsen.

RETIREMENT APPLICATIONS - JANUARY 1977

Christopherson, Joan	350.06	60
Crawford, Fred R.	373.88	61
Dew, James E.	928.90	54
Hendra, John	140.48	55
Hilstad, Hertha	118.89	57
Holiday, Edward S.	592.97	60
Hollowell, Anna	307.91	68
Huffman, Roy E.	1,342.13	61
Johnstone, William	1,729.79	61
Kinkaid, Elizabeth	245.97	65
Matross, Valentine	760.93	62
Pfluge, Phyllis	83.77	55
Stein, Lynn S.	143.42	60
Whalen, Martin F.	1,069.24	55
Willett, Robert V.	751.62	63

SURVIVOR BENEFITS - JANUARY 1977

Bobowiec, B. Duncan (S) Basil Bobowiec (active)	210.16	29
Bramsman, Paul B. (S) Anna Bramsman (retired)	154.23	74
Douglas, Juanita (S) Donald Douglas (retired)	549.13	56
Driscoll, Margaret M. (S) Maurice Driscoll (retired)	916.28	60
Frahm, Margaret P. (S) Elmer Frahm (retired)	682.85	76
Helbing, Ruth (S) Albert Helbing (retired)	236.15	78

RETIREMENT APPLICATIONS - FEBRUARY 1977

Albertson, James H.	855.58	56
Croonenberghs, Rose	263.62	58
Ferestad, Olive E.	260.65	58
Shannon, Amalie R.	123.24	50
Snell, Freda	152.54	62

RETIREMENT APPLICATIONS - MARCH 1977

Quam, Clifford L.	71.79	66
Shaughnessy, Ada A.	37.86	60
Waggoner, Isabel M.	79.09	58

SURVIVOR BENEFITS - MARCH 1977

Duncan, Janice (S) Lawrence Duncan (retired)	186.30	36
Everhard, Richard L. (S) Lois Everhard (active)	309.78	54

RETIREMENT APPLICATIONS - APRIL 1977

Eudaily, Josephine	212.01	71
Lawyer, Esther M.	75.89	56

SURVIVOR BENEFITS - APRIL 1977

Paoli, A. F.	109.01	51
Paoli, David (S) Gloria J. Paoli (active)	100.00	16
Currie, William B. (S) Eva Currie (retired)	171.18	76
Knudsen, LaVon (S) Sverre Knudsen (retired)	520.66	62

APPLICATIONS FOR DISABILITY RETIREMENT

Crandell, Gordon N., Jr.	225.40	47
Lau, Frances T.	297.85	52
Wark, Carl S.	616.21	54
Holland, Jack F.	509.36	61
Lenz, Arthur	429.54	55

The next meeting of the board was scheduled for August, 1977, subject to the call of the chair.

The meeting was adjourned at 2:30 p.m. upon a motion by Mr. Burke and seconded by Mr. Dennehy.

J William Kearns

J. William Kearns, Chairman

Owen L Morris Jr

Owen L. Morris, Jr., Executive Secretary

Exhibit A

University of Montana
Missoula, Montana 59801
(406) 243-0211

RECEIVED
JAN 14 1977
TEACHERS' RETIREMENT
SYSTEM

January 11, 1977

Mr. F. Robert Johnson
Assistant Executive Secretary
Teachers' Retirement System
1500 Sixth Avenue
Helena, Montana 59601

RE: University System - Sabbatical Leave - Creditable Service

Dear Mr. Johnson:

Your letter of December 27, 1976, to Robert W. Fields, a professor in our Department of Geology, has raised a question which is a matter of grave concern to our faculty. It may well be that in seeking to provide the faculty with a sabbatical leave program to enhance their professional development and thereby improve their capacities for service to the University, we have not been appropriately mindful of the possible negative impact on their creditable service toward retirement. If we have unwittingly created a problem which is not susceptible to resolution within the existing discretion of the Retirement Board, we will need to take appropriate action through the Regents or the Legislature to correct our error. To this end we seek your counsel and assistance to better understand the nature of the problem and identification of a reasonable solution.

The sabbatical leave was intended to increase the usefulness, effectiveness, and productivity of the faculty member by permitting an approved program of activity designed to enhance professional development. It is not a "leave" in the usual sense of earned or accrued "time off", but is a contract of employment for a specified term with specified requirements and conditions with which the faculty member must comply and for which he is paid a salary. He must have seven or more years of service, submit a program for approval, perform the program as approved, and may not be fully employed by anyone else while so doing. Item No. 204-001 approved by the Regents of Higher Education states the following:

"Faculty Sabbatical Leave - Criteria for Eligibility

"A. Faculty members may apply to their respective unit administrators for 'Sabbatical Leave'. In granting Sabbatical Leave, university units will be guided by the applicants':

"A-1. Service which is primarily teaching or research
"A-2. Academic rank
"A-3. Total length of service in the Montana University System
"A-4. The type and quality of the proposed program

"B. Satisfactory programs or projects for sabbatical periods include research, travel, related work in other institutions or private or business organizations; or other activities which the president of the unit, with the concurrence of the State Board of Education, ex officio Regents, agree will improve the staff member professionally, or which directly or indirectly benefit the institution and the State.

"C. All sabbatical leaves shall be for a period of not less than two academic year quarters or more than an academic year. The salary paid during a leave shall not exceed two thirds of the academic year contract amount established for the individual at the time the leave is approved. Payments during the period of leave shall be received in equal monthly installments.

"D. Recipients of sabbatical leaves from any unit of the Montana University System may avail themselves of fellowships, assistantships or other sources of limited income, however this policy shall not permit full-time employment for any person while on sabbatical leave and receiving payments from the Montana University System.

"E. Any faculty member receiving a sabbatical leave will be expected to return to his university unit for at least one academic year or to repay money received from the university unit while on leave."

Thus, the intent was that the faculty member be actively employed by the University during the duration of the sabbatical to the exclusion of full employment by others. Thus, the sabbatical program assigned is mutually beneficial to the employer as well as

the employee, and, because of the costs incident to the granting of sabbaticals, the compensation for any sabbatical was limited by the Regents to not more than two-thirds of the academic year contract amount to be paid in equal monthly installments throughout the sabbatical. For these reasons, it was never anticipated that the sabbatical contract might result in a loss of creditable service time on the part of the faculty member.

The sabbatical period has been regarded as "Service" as defined by Sections 75-6201 and 75-6209 (2) which should be "Creditable Service" within the definitions in Sections 75-6201 and 75-6212 (1). It was, therefore, regarded to be the duty of the University to deduct the employee contribution consistent with Section 75-6214 (1), and to make the employer's contribution pursuant with Section 75-6214 (2).

We presume the "provision in the law" to which you refer in your letter of December 27, 1976, to Professor Fields to be Section 75-6213. It has been our understanding that said section was intended to provide a means by which some equivalent value or time may be given a member for appropriate types of employment elsewhere while out of the state, on leave, or in certain specified services. We had not understood Section 75- 6213 to have application to the sabbatical during which the faculty member is employed by the University itself.

It is apparent that there is some misunderstanding which may be due in part to our use of the word "leave" in conjunction with "sabbatical". We would be pleased to have the problem reviewed by the Retirement Board, which we assume would be an appropriate exercise of their discretion pursuant to Sections 75-6209 and 75-6212. Because of the importance of the matter to our faculty, your assistance in obtaining a definitive resolution as soon as it may reasonably be accomplished would be greatly appreciated.

Sincerely,

George L Mitchell

George L. Mitchell
Legal Counsel

GLM:mjb

Exhibit B

THE MONTANA UNIVERSITY SYSTEM
33 SOUTH LAST CHANCE GULCH
HELENA, MONTANA
59601

COMMISSIONER OF HIGHER EDUCATION

April 18, 1977

To: Teachers' Retirement System Board

From: Steven Veazie, Staff Attorney Steven Veazie

Subject: Faculty Sabbaticals as Creditable Service

INTRODUCTION

The Assistant Executive Secretary for the Teachers' Retirement System recently notified a faculty member at the University of Montana that a twelve-month period in 1974 and 1975 when the faculty member was on sabbatical assignment did not constitute creditable service. The basis for the decision was that "individuals on leave cannot receive service credit." The contributions which were withheld during the period were refunded.

The Commissioner of Higher Education has been asked to investigate this matter because of the many faculty members throughout the Montana University System affected by this decision. In addition, the Commissioner has an interest in protecting vested retirement benefits of University System employees and insuring that the Board of Regents' sabbatical policy does not jeopardize these benefits. This memorandum is offered in opposition to the decision that the period of time when a faculty member at a unit of the Montana University System is on sabbatical assignment does not constitute creditable service for retirement benefits under the Teachers' Retirement System.

FACTS

The faculty sabbatical policy, enacted by the Board of Regents in 1967, provides that a sabbatical program or project will be approved only if it will improve the staff member professionally, or directly or indirectly benefit the institution and the state. Eligibility for a sabbatical is is based on the following criteria: (1) service which is primarily teaching or research; (2) academic rank; (3) total legnth of service in the Montana University System; (4) the type and quality of the proposed program. During the sabbatical period, the faculty member remains under contract with the Board of Regents. The contract includes the terms and conditions for the sabbatical assignment.

THE MONTANA UNIVERSITY SYSTEM CONSISTS OF THE UNIVERSITY OF MONTANA AT MISSOULA, MONTANA STATE UNIVERSITY AT BOZEMAN, MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY AT BUTTE, WESTERN MONTANA COLLEGE AT DILLON, EASTERN MONTANA COLLEGE AT BILLINGS AND NORTHERN MONTANA COLLEGE AT HAVRE

DISCUSSION

I. Administrative Rulings Must Comply with Statutory Guidelines.

Section 75-6205, R.C.M. 1947 authorizes the retirement board to "administer and operate the retirement system within the limitations prescribed by this Title." (emphasis supplied) It is well established that rules and regulations promulgated by an administrative body cannot alter or amend applicable statutes. Section 82-4023, R.C.M. 1947, 78 C.J.S., Schools and School Districts 1184. In addition, there is ample case authority that administrative rules established by teacher retirement system boards are ineffective if they conflict with the enabling statutes. Charters v. Board of Trustees of Seattle Teachers' Retirement Fund, 73 P.2d 508, 192 Wash. 261 (1937). Frigiola v. State Board of Education, 95 A.2d 491, 25 N.J. Super. 75 (1953). Thus, while Section 75-6212, R.C.M. 1947 provides that creditable service established by the retirement board is final and conclusive for the purposes of the retirement system, the board's decision must be consistent with the requirements and guidelines contained in the statutes governing the Teachers' Retirement System. This memorandum will demonstrate that the decision that sabbaticals are not creditable service is not based on these statutes, and in fact violates the statutes governing the Teachers' Retirement System.

II. Faculty Members Are Entitled to Creditable Service for Periods on Sabbatical Assignments under Statutes Governing the Teachers' Retirement System.

The rules governing accrual of creditable service for retirement benefits under the Teachers' Retirement System are contained in Title 75, Chapter 62 of the Montana statutes. "Service" is defined as "the performance of such instructional duties or related activities as would entitle the person to active membership in the retirement system under the provisions of section 75-6209." (Section 75-6201 (6) R.C.M. 1947). Section 75-6209, R.C.M. 1947 provides that "any person who is an administrative officer or a member of the instructional or scientific staff of the Montana university system" shall be an active member of the retirement system, "unless otherwise provided by this Title." This section also requires that any person designated as a member must be employed full time in the capacity prescribed for his eligibility. Finally, "creditable service" is simply defined as "each year of service for which contributions to the retirement system were deducted from his compensation." Section 75-6212 (1), R.C.M. 1947.

In view of the aforementioned statutory provisions, it is apparent that a faculty member is entitled to credit for service on sabbatical assignment. Under the statutes, "service" includes instructional duties and related assignments. Sabbatical assignments, a traditional practice of

colleges and universities throughout the country, are designed to increase a faculty member's professional skill and teaching effectiveness. Improvement of an individual's professional skills obviously benefits students and the institution as a whole. Sabbatical assignments are not vacations or leave in the sense that the individual is taking a leave of absence from his job. A faculty member on sabbatical is governed by a contract with the university containing specific requirements and conditions with which the faculty member must comply and for which he is paid a salary. The faculty member must perform the authorized sabbatical program and cannot be fully employed by anyone else while doing so.

From the foregoing, it should be apparent that a faculty member continues in his normal employment relationship with the university when he is on sabbatical assignment, and that he is performing "instructional duties or related activities" which benefit the university. A faculty member on sabbatical also satisfies the other statutory requirements and is clearly eligible for creditable service. He remains a member of the "instructional or scientific staff of the Montana university system." (Section 75-6209, R.C.M. 1947). He is performing the duties prescribed by his employer, and under the terms of the sabbatical policy, he cannot accept full-time employment with another employer. Therefore, the faculty member is "employed full time in the capacity prescribed for his eligibility." (Section 75-6209, R.C.M. 1947). Contributions to the retirement system are deducted from a faculty member's salary while on sabbatical, satisfying the final requirement for creditable service. (Section 75-6212(1), R.C.M. 1947).

III. Section 75-6213, Employment While on Leave, Is Not Applicable to Sabbatical Assignments.

In the letter to the University of Montana faculty member denying creditable service for the sabbatical period, the Assistant Executive Secretary for the Teachers' Retirement System indicated that retirement contributions withheld must be refunded unless the faculty member planned to teach an additional five years following the sabbatical leave in order to purchase the same. He then explained the requirements of Section 75-6213, R.C.M. 1947 regarding the purchase of service credit for periods when the person is on leave. It is clearly erroneous to apply this statute to a person on sabbatical assignment. As previously indicated, a faculty member on sabbatical is not taking a leave of absence and pursuing different employment.

Section 75-6213 (1) states: "Any person applying for membership also may apply for creditable service in the retirement system for employment while on leave." (emphasis supplied) Faculty members who receive sabbatical

assignments have been employees of the university for at least seven years and are members in good standing of the Teachers' Retirement System. They do not withdraw from the retirement system during the sabbatical period and later reapply for membership. Instead, they are in a continuous employment relationship with the university, are paid by the university for the performance of the sabbatical assignment, and must satisfy the terms and conditions of the sabbatical assignment as contained in their contract with the school.

Unfortunately, "leave" is not defined in the statutes governing the Teachers' Retirement System. It is apparent, however, that the phrase "employment while on leave" in Section 75-6213(1) refers to services performed for an employer other than the university. The other provisions in Section 75-6213 refer to prior out-of-state employment, active service in the armed forces, etc., and in Section 75-6213(3), "employment while on leave" is lumped together with "out-of-state teaching" and "active service in the armed forces." In other words, Section 75-6213(1) addresses another category of outside employment: employment for another employer while on leave without pay from the Montana school which is the primary employer. If Section 75-6213 were interpreted to apply to leaves when the person is in an active employment relation with the primary employer, then the person would have to purchase credit for periods on sick leave and vacation leave. Clearly, "leave" is used in the sense of leave without pay or leave when the employee interrupts his employment relationship for a temporary period. A faculty member on sabbatical assignment does not interrupt his normal employment relationship with the university.

CONCLUSION

For the reasons stated herein, the Teachers' Retirement System Board should take appropriate administrative action to give full credit for service by faculty members on sabbatical assignments.

SV:ab

cc: Owen L. Morris, Jr.
F. Robert Johnson
Academic Vice Presidents
Robert W. Fields
George Mitchell

Exhibit C

April 25, 1977

Teachers' Retirement Board
1500 6th Avenue
Helena, Montana 59601

Dear members of the board:

I have been appointed as a public member of the board by the Governor to represent the public and provide information representing this segment.

Because I did not have sufficient time to make my views known on House Bill 289 during the last legislature, I obtained the services of a lobbyist to present my convictions and represent the public members of the board concerning House Bill 289.

All expenses relative to this action were paid out of my pocket and not out of any funds of the Teachers' Retirement System. It was a personal action on my part to present my views in the matter.

I hope that this will not be taken by the Teachers' Retirement Board in an unfavorable manner, but it was something that my principles and convictions required me to do.

Sincerely,

J. William Kearns, Jr.

EXECUTIVE SECRETARY'S REPORT

August 10, 1977

The summer blitz hit with its usual fury. June correspondence hit an all time high. Patty, our secretary, typed just short of 500 letters in June and the number of visitors kept all of us jumping.

Our member account balancing is progressing slowly but surely. We were able to accrue sufficient money to retain our two temporary employees on a contract basis through August, which, hopefully, will allow us to run our member account statements for distribution at the start of the school year.

The number of new retirees is up just slightly. To date we have processed 209 applications.

The increases for those who retired prior to July 1, 1971 were included in the July payment which was mailed July 29th. This will undoubtedly cause a raft of letters asking for an explanation of how the increases were calculated. We did send a notice with last month's payments explaining the method of calculation, but I'm sure we will have a lot of people questioning their increase.

The energy crunch is being felt by all of us since the Governor ordered all air conditioners turned off. The recent hot weather makes it most uncomfortable most afternoons, but, hopefully, it may not last too long.

TEACHERS' RETIREMENT BOARD

MEETING

August 10, 1977

The meeting was called to order at 10:30 a.m. by the Chairman. Those present were:

J. William Kearns, Jr., Chairman
James E. Burke
James N. Dennehy
Georgia Rice
Owen L. Morris, Jr., Executive Secretary
F. Robert Johnson, Assistant Executive Secretary

The minutes of the meeting on April 25, 1977 were approved by the board upon a motion by Mr. Burke and seconded by Mr. Dennehy.

The board next reviewed the Executive Secretary's Report which was ordered placed on file by the Chairman.

Budget reports, mortgage delinquency reports, financial reports and investment reports were reviewed. After discussion of the various investments, these reports were ordered placed on file for future reference.

Under old business, the Executive Secretary reported that J. Michael Young had filed his brief with the Supreme Court in the Robert E. Sullivan case and that the court had scheduled the case for hearing on September 29, 1977.

The board next discussed the matter of sabbatical leave. The Executive Secretary told the board that the Attorney General's Office had called requesting information as a result of a request from the Office of the Commissioner of Higher Education for an opinion whether sabbatical leave is creditable service.

Under new business, the board reviewed the report of the Legislative Auditor. The Executive Secretary reported that he had replied to all of the Legislative Auditor's recommendations except for the first three, since the others were administrative in nature. He felt the board should comment on the first three recommendations since they require policy decisions. The first recommendation is "Limit the number of participants attending out-of-state conferences". It was the consensus of the board that it had already agreed to limit participants and that the response is concurrence with the recommendation.

The second recommendation is "Limit payments to board members who live close to the board meeting site and who can travel the same day the meeting is conducted". The board concurred in this recommendation except when travel the day before or after a board meeting might be necessary because of unusual weather or other extenuating circumstances.

The third recommendation is "Schedule board meetings outside of Helena so that the state incurs a minimum of travel expense". During the ensuing discussion it was noted that only two meetings outside of Helena had been held and that meetings were always held in Helena unless there was a good reason to hold one elsewhere. The board decided to concur with the recommendation but to state the infrequency of meetings outside of Helena and that such meetings outside of Helena would be scheduled only when necessary.

The board next considered the Executive Secretary's request for approval of contracts with Michael Becker and Winnie Yim to provide accounting services on an hourly basis from July 1, 1977 to August 31, 1977. The contracts were approved upon a motion by Mr. Dennehy and seconded by Mr. Burke.

The next item for consideration was a request from the Association for the Advancement of International Education for legislation to give credit towards retirement for teachers and administrators serving in Overseas Dependent Schools operated by the U.S. Department of Defense and those sponsored by the U. S. Department of State. After a discussion of the request and study of the suggested draft statement, Mr. Burke moved that consideration of the request be tabled. Mr. Dennehy seconded the motion which was approved by the board.

The board discussed who would be delegates to the National Council on Teacher Retirement in New Orleans, September 25-29, 1977. After much discussion the board voted that Mr. Burke and the Executive Secretary be authorized to attend as delegates upon a motion by Mr. Dennehy and seconded by Mrs. Rice.

At this point Mrs. Rice asked the board for clarification whether she was considered a voting member of the board. After a review of the law and previous minutes, Mr. Burke moved, seconded by Mr. Dennehy, that the Superintendent of Public Instruction be a voting member of the board. The motion was approved.

The Chairman next called for election of officers of the Teachers' Retirement Board. Mr. James N. Dennehy was elected Chairman after a motion by Mr. Burke and seconded by Mrs. Rice. Dr. Lorence B. Simonsen was elected Vice Chairman after a motion by Mr. Dennehy and seconded by Mr. Burke.

Applications for retirement, survivor's benefits and disability benefits were next considered by the board. After thorough review the following applications were approved upon a motion by Mr. Burke and seconded by Mr. Dennehy.

APRIL 1977 - RETIREMENT BENEFITS	AMOUNT	AGE
Spargur, Aleen	388.33	67

MAY 1977 - RETIREMENT BENEFITS		
Bonine, Claribel	64.10	60
Gum, Lela I	74.19	55
Kojancik, Mary Lou	217.67	58
Sandquist, Doris	190.62	59
Sheckles, G. Dale	103.13	60

MAY 1977 - SURVIVOR BENEFITS		
Bonde, Irvin (s) Gertrude Bonde	177.83	63

JUNE 1977 - RETIREMENT BENEFITS		
Hartman, Genevieve	463.33	62
Kennedy, Alice M.	216.70	55
Perry, John H.	419.87	55

JUNE 1977 - SURVIVOR BENEFITS		
Taylor, Margaret E. (s) Ruth Warburton	223.56	71

JULY 1977 - RETIREMENT BENEFITS		
Anderson, Elaine H.	659.72	52
Anderson, Harold T.	376.04	64
Anderson, Inez M.	1,120.78	61
Anderson, Leo A.	811.49	60
Apple, Betty Page	378.14	58
Armstrong, Frances G.	190.67	69
Aubert, William	930.24	55
Babcock, Arlene C.	387.05	64
Balcombe, Alice B.	369.80	65
Barnell, Joseph J.	534.47	65
Barrow, Dorice E.	370.73	65
Beck, Ruth E.	571.53	65
Berg, Herbert T.	740.01	64
Bergstrom, Lloyd V.	1,021.69	63
Beyer, Viola V.	275.71	64

JULY 1977 - RETIREMENT BENEFITS,Con't	AMOUNT	AGE
Birkeland, Edna	570.45	63
Blush, Neal J.	99.48	55
Bowman, Betty	562.28	49
Boyce, Mavis	749.26	58
Breuninger, Hubert R.	555.93	65
Brewer, Lester O.	503.93	61
Brunson, Royal	818.87	63
Brush, Bernice	888.42	60
Burgess, Charles T.	813.04	57
Carlson, Norman A.	517.24	58
Clarkin, Pauline	353.36	58
Clemons, Charlotte	596.32	59
Compton, Paula E.	513.55	61
Connick, Shirley M.	301.43	59
Coolidge, Elizabeth	272.15	60
Crouse, Mary E.	448.60	60
Daniels, Helen A.	929.76	64
Dell, Frank	674.89	52
Devaney, Lillian	404.02	65
Devlin, Neil	734.89	58
DeWeese, Robert K.	864.98	57
Dougherty, Elizabeth	337.83	66
Elderkin, Pearl	151.92	66
Elliott, Elton	667.84	61
Elliott, Ruth E.	444.17	60
Englert, Elsie J.	483.85	58
Fallon, Lyman B.	360.05	65
Farmer, Evadena A.	491.41	62
Fink, Mary E.	350.01	57
Fisher, Nellie R.	267.15	60
Freebury, Donald L.	688.91	55
Garwick, Marian J.	40.81	57
Gjerde, Ruben O.	614.94	61
Gilbertson, Thomas S.	514.97	61
Gillette, Helen L.	463.87	65
Gol, Stella H.	560.04	61
Goodman, Louise	385.03	66
Gormley, Robert W.	839.54	54
Graham, Cornelia	302.15	65
Green, Archie L.	486.01	62
Gregory, Rogene W.	362.55	62
Gross, L. Mary	401.93	63
Hale, Christy M.	738.78	61
Hamman, Oscar J.	1,007.52	70
Hansen, Daphne L.	492.74	62
Hanson, Blanche	248.15	65
Hanson, Clifford H.	666.32	60

JULY 1977 - RETIREMENT BENEFITS	AMOUNT	AGE
Hanson, Virginia	228.52	61
Hardy, Mabelle	174.59	60
Harvey, LeRoy H.	919.72	66
Haugen, Margaret G.	332.12	64
Hayes, Josephine T.	572.40	65
Held, Doris	184.06	61
Held, Werner	804.87	61
Hellberg, Ceil G.	492.26	
Hendricks, Frances K.	535.93	
Hendrickson, Kenny U.	534.42	
Herman, George J.	1,186.07	
Herndon, Pearl L.	227.76	
Hicks, Viola E.	231.44	
Holiday, Margaret A.	522.25	
Hollowell, Anna	307.91	
Holm, Kathleen V.	379.37	
Holt, Ada	410.82	
Howard, Dora L.	498.80	
Huffman, Elza C.	913.85	
Hummel, John G. Jr.	835.71	
Hunter, Huguette E.	552.41	
Hutchinson, John W.	964.31	
Jacobs, Daisy B.	785.20	
Jacques, Jeanne M.	301.66	
Johnson, Russell C.	680.97	
Jordan, Ruth M.	789.15	
Jorgenson, Henry	917.33	
Juday, Richard E.	839.73	
Karge, Agnes	283.71	
Kem, Florence M.	301.67	
Kimzey, Orla E.	411.76	
Kleffner, Helen J.	277.68	
Kleffner, Leo F.	118.72	
Knudsen, Mildred E.	636.68	
Koch, Rudy	980.84	
Kojancik, Joe J.	742.36	
Krause, Dorothy	362.64	
Lange, Hazel A.	435.86	
Lansberry, Darlene	705.29	
Larson, Mary W.	427.58	
Lavelle, Ella E.	610.80	
Lease, Jane G.	250.95	
Lenz, Arthur F.	429.52	
Lindgren, Wesley	684.60	
Litschewski, Jessie	48.61	
Long, Beatrice M.	310.25	
Longpre, Malvina	344.69	
Loomer, Francis W.	1,183.37	

JULY 1977 - RETIREMENT BENEFITS	AMOUNT	AGE
Lukanitsch, Marjorie	748.95	58
Maass, Mary	416.91	66
Madsen, Maxine O.	222.31	61
Mallette, Ruth	190.66	65
Maney, Leo	648.72	65
Marsh, Helen	600.60	64
Marsh, Howard	678.07	62
Mast, Richard M.	897.15	59
May, Clifford W.	368.43	62
McCarthy, May	602.41	65
McCrea, Richard B.	523.84	57
McIntosh, Carl W.	435.05	63
McIvor, Margaret V.	509.12	65
McKay, Fannie E.	506.36	60
McNelis, Sarah	1,296.85	65
Mehus, Lois A.	430.86	59
Meissner, LaVerne H.	323.50	58
Mercer, Norma E.	108.60	63
Miller, Grace E.	333.61	61
Miller, Wilma S.	842.00	65
Morin, Roy A.	917.53	59
Morse, Evelyn C.	284.23	66
Morrison, Winifred J.	243.14	63
O'Brien, Ruth	669.57	63
O'Hare, Paul T.	1,541.15	60
Oke, Fred M.	204.08	62
Oliver, June	211.39	60
Olson, Hazel V.	245.72	63
Olson, Helen V.	448.47	57
Ordway, Frances M.	422.69	62
Ortner, Ella R.	417.04	67
Ostwalt, Harold	496.53	55
Pearson, Gladys E.	230.56	56
Pease, Richmond H.	736.37	57
Peckham, John W.	323.64	65
Pettapiece, Florence E.	647.57	65
Pettit, Francis	534.02	52
Poitras, Josephine	719.96	61
Price, Helen	350.61	61
Randall, Myra	542.79	62
Rebhahn, Emma R.	232.15	62
Reed, Sarah P.	250.19	62
Reese, Audrey W.	743.15	56
Renno, Hilda E.	243.75	59
Richardson, Alfred L.	961.26	65
Rider, Marian E.	353.93	62
Roberts, Frances B.	264.84	60
Robinson, Henry E.	1,246.27	67

JULY 1977 - RETIREMENT BENEFITS	AMOUNT	AGE
Rodney, Robert M.	514.23	66
Saubak, Mary	411.98	62
Saunders, Helen L.	511.66	63
Schaubel, Emma	560.33	60
Schauf, Edna V.	399.98	63
Schiller, Thelma F.	279.02	60
Schmalz, Guenther G.	1,064.80	65
Schnaidt, Margaret R.	310.54	65
Schultz, James M.	889.84	55
Scovill, Thelma	243.40	60
Sedivy, Edmund P.	1.078.34	66
Semansky, Frank E.	924.69	55
Sheffer, Bernice E.	470.52	68
Snapp, Grace J.	342.04	62
Stack, Dorothy S.	702.41	65
Stafne, Mildred M.	280.96	62
Stacup, Frances B.	528.48	61
Stebbins, Sigrid	655.13	66
Stoveland, Frances	365.69	59
Sutton, Floyd	300.84	67
Sutton, Geneva	294.73	65
Swanson, Margaret	823.48	61
Tanner, Luella R.	225.62	56
Taylor, Angela M.	393.13	63
Thomas, Hazel	401.92	60
Thex, Josephine	83.83	57
Turnquist, Katherine I.	419.80	62
Uber, Mary I.	594.88	60
VanCampen, M. James	681.32	48
Vandiver, Willis C.	1,201.61	58
VanHorne, Robert	940.11	62
Vanover, Howard	834.31	60
Vasichek, Mildred L.	409.97	64
Vavich, Clara	334.40	62
Vinal, Dean L.	582.19	57
Walker, Laura O.	657.71	62
Wangerin, Violet H.	373.77	63
Watkins, James F.	1,271.03	54
Weaver, Winston E.	1,051.22	64
West, William A.	910.05	61
Westvelt, Carolyn C.	764.04	63
Wetterling, Eleanor C.	487.36	70
Wilson, Elizabeth	395.68	60
Woodcock, Fern E.	345.53	65
Wright, Philip	1,192.68	63
Wyckoff, Ruth	512.25	62
Yerigan, Jean H.	229.07	58
Zimmerman, Bernice	451.97	56
Schmidt, Susie E.	572.15	64

DISABILITY RETIREMENT BENEFITS	AMOUNT	AGE
Bruce, William H.	137.67	51
Sherwood, June V.	264.85	53

The applications for disability benefits for Bonnie Lou Edwards, Aubrey Lee and Lois W. Larson were not approved pending receipt of further medical reports.

The next meeting was scheduled to be held in Helena, October 19, 1977 at 10:00 a.m.

Mr. Kearns expressed his appreciation to the board for their cooperation during his term as Chairman, after which the meeting was adjourned.

James N Dennehy

James N. Dennehy
Chairman

Owen L Morris Jr

Owen L. Morris, Jr.
Executive Secretary

EXECUTIVE SECRETARY'S REPORT

October 19, 1977

It appears that we are finally ready to run the member account statements and the new handbook is being printed. Both should be sent to the schools for distribution within a week.

Jim Burke and I attended the National Council on Teacher Retirement in New Orleans, September 25 to 29th. Of particular interest was a discussion of the very controversial exposure draft of "Accounting and Reporting by Defined Pension Plans" prepared by the Financial Accounting Standards Board. All retirement systems represented agreed with our opposition to adoption of the proposed accounting and reporting standards pending further study.

Bob Johnson will address the MEA convention in Glendive on Friday, October 21st, and I will be at the convention in Kalispell the same day. We have not been asked to the convention in Helena, nor has the MFT contacted us.

After the convention and after the account statements and handbooks have been distributed, I anticipate our correspondence will at least triple for a couple of months and we will undoubtedly have several requests for meetings throughout the state.

TEACHERS RETIREMENT BOARD

MEETING

October 19, 1977

The meeting was called to order at 10:00 A.M. by the Chairman. Those present were:

James N. Dennehy, Chairman
James E. Burke
J. William Kearns, Jr.
Georgia Rice
Lorence B. Simonsen
Owen L. Morris, Jr., Executive Secretary
F. Robert Johnson, Assistant Executive Secretary

The minutes of the meeting held August 10, 1977 were approved upon a motion by Mr. Burke and seconded by Mrs. Rice.

The Executive Secretary's Report was ordered placed on file after review by the Board.

The financial, investment, budget and mortgage reports were next reviewed by the Board. The Executive Secretary noted that the assets of the System were approaching $147 million.

During a discussion of the delinquent mortgages the Executive Secretary stated he had informed the First Northwestern Bank of Kalispell that we would insist upon receiving two payments per month on the Fulbright mortgage until current. Any deviation from this arrangement would result in immediate foreclosure.

After further review the financial, investment, budget and mortgage reports were ordered placed on file for future reference.

Dr. Simonsen next inquired whether a retired member had as yet been appointed by the Governor. The Executive Secretary said he had called the Governor's Office and that to date no appointment had been made.

Mr. Kearns stated that he had been advised that several persons were being considered for the appointment and that the Governor has not had time to review all the recommendations of those under consideration.

The Executive Secretary next reported on the Robert E. Sullivan Case. The hearing before the Montana Supreme Court was held September 29, 1977 with Michael J. Young arguing for the Teachers' Retirement Board, Sam Haddon arguing for Robert E. Sullivan and Louis Forsell representing the State Board of Regents and arguing Amicus Curiae.

Mr. Young told the Executive Secretary that he could not predict what the decision of the court would be and that it could take from two to six months for the court to rule. Discussion followed regarding the ramifications if the court should rule in favor of Dean Sullivan.

Under new business the Executive Secretary advised the Board that there was federal legislation pending that would require mandatory coverage under social security of all state and local government employees. The National Council on Teacher Retirement and the National Conference on Public Employee Retirement Systems have asked state systems to express their opposition to this legislation to their congressional delegations. The Executive Secretary stated that those states that do not have social security coverage generally have retirement plans that provide high retirement benefits to compensate for lack of social security, and that those plans also require much higher contributions. Mandatory social security coverage would result in additional contributions from both employer and employee to the point of jeopardizing the present retirement plans. The Executive Secretary suggested that, since Montana has social security coverage for approximately 98% of the members of the Teachers' Retirement System, such federal legislation would not have an adverse effect upon the System.

Dr. Simonsen moved that the matter of opposing or supporting legislation providing for mandatory social security coverage for public employees be postponed indefinitely. The motion was approved by the Board after a second by Mr. Kearns.

The next item for consideration was applications for retirement and survivor benefits. After thorough review the following applications were approved upon a motion by Mr. Burke and seconded by Dr. Simonsen.

AUGUST 1977 - RETIREMENT BENEFITS

Browder, Walter G.	1,305.14	63
Cole, Donald E.	631.74	63
Dean, Lilla	628.45	59
Devlin, Ward	631.68	57
Dolan, Mary	1,316.84	65

AUGUST 1977 - RETIREMENT BENEFITS Con't

Donner, Marie	245.37	68
Grimes, Gertrude M.	97.91	60
Halverson, Dorothy	421.55	58
Hilton, Edith M.	513.72	62
McCullock, Wallace E.	814.38	58
Orso, Ethel	849.18	65
Parker, Gwendolin	277.75	65
Pewe, Myrtle	213.69	65
Schramm, Jean	239.87	60
Stewart, John M.	1,181.67	57
Sullivan, Gerald A.	667.16	61
Sutton, Madeline	237.08	62
Tyson, Audrey Simpson	145.99	57
Wille, Alta	252.36	62

AUGUST 1977 - SURVIVOR BENEFITS

Breeden, Ruth P.	(s)John Breeden,R	337.83	68
Brown, James	(s)Vivian Brown,A	66.02	34
Brown, Jason	(s) " " " "	100.00	4
Brown, Shane	(s) " " " "	100.00	2
Bulger, Heather	(s)Maureen Bulger,A	242.04	28
Dean, Berty	(s)Charles Dean,R	152.80	75
Gardner, Mary P.	(s)James Gardner,R	428.55	66
Loftsgaarden, Cath.	(s)Owen Loftsgaarden,R	454.26	61
Moss, Virginia	(s)Martin Moss,A	700.82	55
Ostby, Norman	(s)Patricia Ostby,A	191.91	36
Phares, Gladys M.	(s)Earl E. Phares,R	190.32	72
Scott, Dorothy	(s)Wallace Scott,R	185.20	73
Stewart, Jean B.	(s)Roy Stewart,A	362.26	53
Stewart, Carol	(s) " " " "	100.00	12
Taylor, Gladys	(s)Edgar Taylor	282.48	68

SEPTEMBER 1977 - RETIREMENT BENEFITS

Aitken, Ailene	417.19	58
Campbell, Rex	230.51	71
Coughlin, Paul	290.09	55
Davison, Stanley R.	871.03	66
Forsythe, Donald	111.67	55
Green, Louise	173.82	60
Gwynn, Elmer	109.35	60
Ridle, Raymond D.	329.26	65
Riese, Harlan C.	906.55	58
Storey, Joel M.	601.52	57
Williams, Margaret	735.96	61

SEPTEMBER 1977 SURVIVOR BENEFITS

Powell, Helen M.	(s)	Larry D. Powell,A	67.36	30
Powell, Curtis	(s)	" " " " " "	100.00	1
Schilling, Grace	(s)	Eugene Schilling,R	280.29	72
Tolliver, Montana	(s)	Stanley Tolliver,A	184.60	39
Tolliver, Justin	(s)	" " " " " "	100.00	15
Tolliver, Zane	(s)	" " " " " "	100.00	7
White, Barbara J.	(s)	Roy C. White,A	277.17	42
White, Roxanne	(s)	" " " "	100.00	13
White, Roylene	(s)	" " " "	100.00	16
Zirko, Stephen	(s)	Frances B. Zirko	292.61	63

OCTOBER 1977 - RETIREMENT BENEFITS

England, Janet	36.79	58
Fiedler, Leslie A.	112.57	60
Smith, Vincent J.	100.00	61
White, Alfred G.	666.12	53

OCTOBER 1977 - SURVIVOR BENEFITS

Flint, Dorothy	(s)	Kedrick Flint,A	1,045.65	49	
Hartman, Jane	(s)	Genevieve Hartman,R	115.83	10	C&L
Hartman, Robert	(s)	" " " " " "	115.83	10	C&L
Hartman, William	(s)	" " " " " "	115.83	10	C&L
Long, Judith	(s)	" " " " " "	115.83	10	C&L

The Executive Secretary next presented the applications for disability retirement from Lloyd P. Kemp, Aubrey Lee and Lois Larson. All three of these applications had previously been presented to the Board but no action had been taken due to lack of sufficient evidence of disability. After reviewing the additional physician's statements, recently received, these three disability retirements were approved upon a motion by Dr. Simonsen and seconded by Mr. Kearns.

The Board then reviewed the attending physician's statement of continued disability for John B. Celar wherein the doctor stated for the second time that Mr. Celar's condition which caused his disability (asthma) had improved to the point where he was now physically able to accept a teaching position. The Executive Secretary told the Board that when the first attending physician's statement was received as a result of the annual disability review, stating that Mr. Celar would be able to return to teaching in September of 1977, Mr. Celar was informed by letter that if his disability benefits were to be continued beyond September he would have to provide additional evidence of his continued disability. Again, the attending physician's statement submitted indicated Mr. Celar could return to teaching in September of 1977. During the discussion Mr. Dennehy asked whether Mr. Celar had been offered a contract or whether he had been given a leave of absence during his period of disability. The Executive Secretary stated that he did not have that information but he did know Mr. Celar was teaching Driver Education. The Executive Secretary then read the provisions of Section 75-6208 (4) (b), RCM 1947 after which Dr. Simonsen moved that Mr. Celar's disability benefits be discontinued as of October 1, 1977. The motion was approved by the Board after a second by Mr. Burke.

Mr. Dennehy stated that he would vote no on the motion because he (Mr. Celar) was not presently employed as a full-time teacher.

The Assistant Executive Secretary reported that the member account statements were being run by the data processing bureau and would be distributed as soon as the new handbooks were received from the printer.

Mr. Dennehy next asked whether there had been much talk about legislation providing for a 1/50th formula. Considerable discussion followed regarding possibilities of passage of such legislation and whether the necessary contribution increase would be acceptable to the members. It was the consensus of the Board that if the teachers were willing to pay the additional contributions, the Board would support such a proposal.

The next meeting of the Board was tentatively scheduled for January 23, 1978.

The meeting was adjourned after a motion by Mr. Kearns, seconded by Mr. Burke and approved by the Board.

James N Dennehy

James N. Dennehy, Chairman

Owen L Morris Jr

Owen L. Morris, Jr., Executive Secretary

TEACHERS RETIREMENT BOARD

SPECIAL MEETING

November 28, 1977

The meeting was called to order at 10:00 A.M. by the Chairman. Those present were:

James N. Dennehy, Chairman
James E. Burke
J. William Kearns, Jr.
Lorence B. Simonsen
Owen L. Morris, Jr., Executive Secretary
F. Robert Johnson, Assistant Executive Secretary

The Executive Secretary reported that the Governor had appointed Dr. George H. Gloege from Billings as the new retired member of the Board. He stated that he had written Dr. Gloege on November 23, 1977 informing him of the special meeting, but it appeared that Dr. Gloege had not had sufficient notice to attend the meeting.

J. Michael Young was admitted to the meeting to discuss both Attorney General Greeley's opinion regarding sabbatical leave and the Supreme Court decision in the Robert E. Sullivan Case. Mr. Young stated that he did not feel we should challenge the opinion on sabbatical leave in the courts but if the board so desired the proper approach would be to amend the statutes. For the present we must allow service credit for University faculty while they are on sabbatical leave.

Mr. Young next reported on the Robert E. Sullivan Case. Mr. Young stated, "The Court decided on the very narrow issue of just the law, I feel. There were about six other issues involved which they didn't touch at all. They more or less implied in their decision that the difference between in-state and out-of-state teachers for being eligible is very unfair, and it is kind of a hint of what is to come. I think it is a matter of finding an in-state teacher who wants to file a law suit, and I am sure somebody is looking around right now to find the proper plaintiff to do it. The Supreme Court did not place any of the blame on the Teachers' Retirement Board, which is kind of unusual. The Court has a very strict attitude about government administrative agencies and they don't hesitate to put a shot on your for whatever they can. They did not do this in this case. They strictly went to the law question. They did say that the decision in the Cromwell Case was upheld, and that present law is alright. What they in effect did was open up everything from 1949, when Section 2705 allowing out-of-state creditable service was passed, to 1971 when it was repealed. What you have is a situation where anyone who became employed during that period of time, and had creditable service from a private school, can get credit for it."

Mr. Young further stated that there could be no appeal to a Federal Court because there was no question of Federal Law involved.

Considerable discussion ensued regarding the type of private out-of-state service that might now qualify as creditable service and what obligation the Board had to notify the members. Dr. Simonsen moved that notices be placed in publications of the Montana Education Association, Montana Federation of Teachers, Office of Superintendent of Public Instruction, County Superintendents, Retired Teachers, Montana School Boards Association and the Association of School Administrators, that members who had out-of-state service in a private school prior to 1971 and who were members of the System prior to 1971 may now be eligible to purchase credit for that service. The motion was seconded by Mr. Burke and approved by the Board.

The Executive Secretary asked whether a retired member who had out-of-state teaching service in a private school would be allowed to purchase credit for that service and have his retirement allowance adjusted retroactively to the date of his retirement. It was the consensus of the Board that this should be the case.

Mr. Kearns asked what the result of the decision regarding private out-of-state service might do to us actuarily.

The Executive Secretary stated that it would certainly cost us money but the full effect could not be determined at this time because we have no way of knowing the number of people eligible nor the amount of service involved.

The Assistant Executive Secretary asked whether the law would allow the use of any consecutive 36 months salary in determining average final compensation, rather than three consecutive fiscal years. Mr. Young informed the Board that he felt we should use whichever was the most beneficial to the member.

Dr. Simonsen then moved that the salary for the highest 36 consecutive months be used in the determination of the average final compensation. The motion was seconded by Mr. Kearns and approved by the Board.

The Board next considered two applications for disability retirement. After thorough review and discussion disability applications for Malfred Ingram and Mary B. Shipley were approved upon a motion by Dr. Simonsen and seconded by Mr. Kearns.

The meeting was adjourned upon a motion by Mr. Burke, seconded by Mr. Kearns, which was approved by the Board.

James N Dennehy

James N. Dennehy
Chairman

Owen L Morris Jr

Owen L. Morris, Jr.
Executive Secretary

EXECUTIVE SECRETARY'S REPORT

January 23, 1978

Mailing of member account statements and the new handbooks to the schools for distribution was finally completed about November 10, 1977. We were slowed in our efforts because of delivery of the handbooks from the State Duplication and Reproduction Division. However, had we had the handbooks printed by a private firm they probably would not have been delivered by January 1, 1978.

We have had three of our people undergo surgery recently. Elsie Wilcox was out most of September with gall bladder surgery. Babe Ramberg had an operation for cancer and was gone November and December, and the Friday before Christmas Mary Andridge underwent an emergency appendectomy and was out until January 9. Fortunately, we had enough advance notice of Babe's surgery so that Patty Petersen was able to fill in and got both the November and December retired payrolls out on time. We have, however, slipped behind in our posting and accounting areas because of Elsie and Mary's misfortunes.

Connie Stine, our refund clerk, resigned December 27, 1977. She had only been with us since late July. We have hired June Pruett to replace her. Hopefully we will be able to keep her a while longer.

The Attorney General's Opinion regarding sabbatical leave and the Supreme Court ruling in the Sullivan Case have resulted in a marked increase in our correspondence and in the number of visitors to the office, especially during the Christmas vacation.

TEACHERS RETIREMENT BOARD

MEETING

JANUARY 23, 1978

The meeting was called to order at 1:00 p.m. by the Chairman. Those present were:

James N. Dennehy, Chairman
James E. Burke
George H. Gloege
J. William Kearns, Jr.
Georgia Rice
Lorence B. Simonsen
Owen L. Morris, Jr., Executive Secretary
F. Robert Johnson, Assistant Executive Secretary

The Chairman welcomed George Gloege, newly appointed retired member, to the Teachers' Retirement Board.

The minutes of the meeting held October 19, 1977 and November 28, 1977 were approved upon a motion by Dr. Simonsen and seconded by Mr. Kearns.

The Executive Secretary presented the Board of Investments 1976-77 Fiscal Year Report. It was noted that yield for the Teachers' Retirement System was slightly less than that of the Public Employees' Retirement System. After further review this report was ordered placed on file.

Alton P. Hendrickson, Actuary for the System, presented the preliminary actuarial valuation of the System as of June 30, 1977. He stated that the valuation indicated that teachers are retiring at an earlier age than shown in the last valuation but that the average retirement age is still in excess of age 62.

A discrepancy in investment income between the amounts shown on the draft of the valuation and that shown by the Board of Investments was noted. The Executive Secretary was ordered to reconcile any difference prior to finalizing the valuation.

Further discussion of assumptions, inflation rates and cost to the System as a result of the Sullivan Case followed. Mr. Hendrickson then stated that the final valuation report would be ready by the next meeting of the Board.

Dr. Simonsen next inquired whether anyone knew of any proposed retirement legislation that might be forthcoming. The Executive Secretary stated that he had been told that the Montana

Education Association would probably propose increasing the retirement formula to 1/50th of the average final salary for each year of service, rather than the present 1/60th, but the retirement age and 30 years requirement would be left unchanged.

Mr. Hendrickson verified that such a change would require an additional contribution of 2.578%.

The Executive Secretary also stated that he had heard the retired teachers may propose some sort of automatic cost of living increase but that he had not heard of any specific proposal.

Under Old Business the Board discussed the cost to purchase out-of-state private service as a result of a letter from Dr. Riving Dayton. Dr. Dayton maintains that the cost of his out-of-state service should be based only on the amount of salary upon which contributions were paid, which in 1961 was $6,000.00 because of the salary ceiling in effect at that time. Dr. Dayton further stated that he had a letter from Mr. McKinney to the effect that the cost of the out-of-state service would be $300.00 per year, which would be 5% of the first $6,000.00 of his salary. The Executive Secretary stated that he had informed Dr. Dayton that the law specifically stated the cost of out-of-state service to be ..."five percent of the salary for each year claimed based on the first year's salary earned in Montana...". Dr. Dayton then requested a search of records of those persons who joined the System prior to 1967 when the salary ceiling was removed, and who purchased credit for out-of-state teaching service prior to July 1, 1971, to determine what the actual practice was at that time.

After lengthy discussion Mr. Burke moved that the Executive Secretary conduct a search to determine what salaries were used to determine the cost to purchase out-of-state service for those who were members prior to July 1, 1967 and who purchased credit for out-of-state teaching service prior to July 1, 1967. Dr. Simonsen seconded the motion which was approved by the Board.

Considerable discussion followed concerning how delegates to future conferences would be selected. At that point Dr. Simonsen moved that the Executive Secretary be directed to draft a rotational schedule for the attendance of appointed Board members at national conferences and present it to the Board for approval. The motion was seconded by Mrs. Rice and approved.

The following applications for retirement benefits and survivor benefits were approved upon a motion by Mr. Burke and seconded by Mrs. Rice.

NOVEMBER 1977 - RETIREMENT APPLICATIONS	AMOUNT	AGE
Beckman, Ruby G.	247.67	60
Boyer, Mildred	182.32	60
Callison, Evelyn	163.89	59
Fowler, Clark	995.08	55
Lommasson, Emma B.	886.77	66
Mullins, Richard	94.67	55

NOVEMBER 1977 - SURVIVOR BENEFITS		
Carlson, Laurence (s) Laura Carlson, ret.	25.00	

DECEMBER 1977 - RETIREMENT APPLICATIONS		
Bowen, Keith E.	108.33	60
Eaton, Thomas L.	627.91	61
French, Hazel V.	51.33	55
Jaeger, Alan W.	217.02	61
Nylander, Mildred	80.94	63
Richwine, Calvin	226.65	57
Sanborn, Olive C.	34.64	58
Shepherd, Jane	318.08	55
Vie, Lorraine A.	81.37	57
Wallace, Gwendolyn	231.18	56

JANUARY 1978 - RETIREMENT APPLICATIONS		
Anderson. Lorraine C.	84.17	56
Cline, Bethyl	295.50	62
Hall, Reta M.	51.83	55
Harvey, Ruth D.	963.37	56
Hook, Walter	824.72	59
Kerr, Hazel F.	511.90	63
Munn, Eugenia	102.23	60
Taylor, Katherine M.	407.06	63

JANUARY 1978 - SURVIVOR BENEFITS		
Southall, Patricia (s) Burnell Southall	423.24	39

The disability retirement application for Roland Durocher was approved, after review and discussion, upon a motion by Dr. Simonsen which was seconded by Mr. Kearns and approved by the Board.

Upon a motion by Mr. Burke, seconded by Dr. Gloege, the disability retirement application for George E. Miller was approved by the Board.

A discussion concerning the date for the next Board meeting followed and it was decided that the Board would meet around the end of April at the call of the Chair.

The meeting was adjourned upon a motion by Mr. Kearns which was seconded by Mr. Burke and approved by the Board.

James N Dennehy

James N. Dennehy
Chairman

Owen L Morris Jr

Owen L. Morris, Jr.
Executive Secretary

EXECUTIVE SECRETARY'S REPORT

April 12, 1978

Slow but certain progress is beginning to show in our accounting area. Posting is almost current and our control balancing program is working very well. By fiscal year end we hope to be 100% current.

We have hired a part time girl, Nancy Nichwander, who is preparing our withdrawal records for microfilming. It is slow tedious work, but she is doing an excellent job.

Monday, Tuesday and Wednesday of last week I attended a seminar for Professional Managers. It was probably the best training course I have attended. The instructor was from the Denver Regional Training Center for the U. S. Civil Service Commission. The management concepts he presented were entirely new and much more challenging and inovative than those I had previously learned. I hope the course will be presented again in the near future so that Bob Johnson can attend.

Now that spring is apparently here we have had several requests for meetings around the State, and it looks like Bob and I will be traveling quite a bit from now until school is out.

TEACHERS RETIREMENT BOARD

MEETING

April 12, 1978

The meeting was called to order at 10:30 a.m. by the Chairman. Those present were:

James N. Dennehy, Chairman
James E. Burke
George Gloege
Georgia Rice
Lorence Simonsen
Owen L. Morris, Jr. Executive Secretary
F. Robert Johnson, Assistant Executive Secretary

The minutes of the meeting held January 23, 1978 were approved by the Board after a motion by Dr. Simonsen and seconded by Dr. Gloege.

The Executive Secretary's Report was reviewed by the Board and was ordered placed on file by the Chairman.

Budget reports, mortgage delinquency reports, financial reports and investment reports were reviewed by the Board. Dr. Gloege moved that the reports be placed on file. The motion was approved after a second by Dr. Simonsen.

The completed actuarial valuation was presented to the Board by Alton Hendrickson. Mr. Hendrickson explained the valuation in detail, the results of the valuation and the basis for his conclusions. After a lengthy discussion Mr. Burke moved to accept the valuation as presented by Mr. Hendrickson. The motion was seconded by Dr. Simonsen and approved by the Board.

Mr. Hendrickson stated that he receives periodic requests to provide copies of the valuation to various organizations or individuals and asked whether the Board would prefer that these requests be referred to the Executive Secretary. It was the concensus of the Board that Mr. Hendrickson refer all future requests to the Executive Secretary and that copies of the valuation be provided only through the retirement office.

Under Old Business the Board again reviewed Dr. Irving Dayton's request that the cost to purchase out-of-state teaching service be based only on the first $6,000.00 in salary upon which contributions were paid from 1959 to 1963. The Executive Secretary stated that his investigation showed that prior to July 1971 it was the practice to base the cost of out-of-state service on only that portion of the annual salary for which contributions were required. The Executive Secretary stated that both his interpretation of the statutes as well as the interpretation of the previous Executive Secretary was that the cost should be based on the full salary earned. Dr. Simonsen moved that the Executive Secretary request legal advice from Mr. J. Michael Young and abide by Mr. Young's opinion. Mr. Burke seconded the motion which was approved by the Board.

Discussion regarding possible changes to the retirement law ensued. Dr. Gloege mentioned the concern of some retired teachers if a 1/50 formula with 25 years of service were enacted without proper funding. Mr. Burke then reiterated the Board's previous position that they would only support proposed benefit changes that also provided for adequate funding.

The Executive Secretary informed the Board that the Montana Education Association plans to propose changing the law to provide 1/50 of average final compensation for each year of service at age 60, or at any age with 30 or more years of service. The cost to fund this increase in benefits will require slightly less than 3% additional contributions.

Dr. Gloege stated that the retired teachers had discussed asking for an annual 3% increase in benefits. The Executive Secretary informed the Board that an additional 4.91% contribution would be required to fund such an annual increase. Mr. Dennehy remarked that he was certain active teachers would oppose any increase in contributions to provide additional benefits for those already retired.

Under New Business the Board next discussed Opinion No. 113, Volume 37, by Attorney General Mike Greeley which states, "Provision for severance pay in a collective bargaining agreement between a local school district and its employees, based on the number of years of service of the individual employees, is deferred compensation and is considered wages earned throughout the period of employment." Dr. Simonsen moved that the Executive Secretary be directed to request clarification from the Attorney General whether severance pay, pay for unused sick leave or unused vacation or other types of termination pay should be considered in determining average final compensation for retirement purposes. Dr. Gloege seconded the motion which was approved by the Board.

Next considered by the Board was an opinion written by Attorney General Harrison J. Freebourn dated November 18, 1937 which states, "Chapter 87 of the Session Laws, when referring to another state outside of the state, has reference to the states within the United States, including the District of Columbia and the territories and dependencies of the United States (see Section 16, 10713). Therefore, it follows that a teacher may not claim prior service credit for her teaching service in a foreign country." The Executive Secretary questioned whether teaching service in a foreign country would qualify as out-of-state teaching service. Dr. Gloege moved, seconded by Dr. Simonsen, that the Executive Secretary request an opinion from the Attorney General whether teaching service in a foreign country would qualify for purchase as out-of-state service. The motion was approved.

Mr. Dennehy reported on the National Conference on Public Employee Retirement Systems. He stated that attendance at the conference, although of value to the System, was not as informative as the National Countil on Teacher Retirement since many issues were relative to other retirement groups such as policement and firemen. Mr. Johnson mentioned that one speaker, an actuary from one of the country's leading firms, advocated the actuarial method used in the preparation of our actuarial valuation.

The Executive Secretary next presented statements from Marga Hoseas and Margaret Saylor as a result of the annual disability review. These showed earnings by the disability retirees in excess of the amount allowable. Mr. Burke moved that the necessary adjustment be made in order to be in compliance with the statutes governing disability retirement. The motion was seconded by Dr. Gloege and approved by the Board.

The Executive Secretary presented a letter from Mary McDonald who had applied for and was granted a regular retirement in 1974. The reason that she retired was because she could not continue to teach because of cancer. She stated that she was unaware of the disability retirement provision at the time. She also enclosed physician's statements indicating that she would have qualified for a disability retirement in 1974 and that she is still disabled from teaching. Mrs. McDonald requested that she be granted a disability retirement retroactive to 1974. Mr. Burke moved that Mrs. McDonald be granted a disability retirement and that her benefits be adjusted accordingly, retroactive to that date of her original retirement. Dr. Gloege seconded the motion which was approved by the Board.

The following applications for retirement and survivor benefits were approved upon a motion by Mr. Burke and seconded by Dr. Simonsen:

FEBRUARY 1978 RETIREMENT BENEFITS	AMOUNT	AGE
Aird, Verlie W.	51.76	60
Barry, Kenneth	82.93	61
Bradley, Dorothy	92.29	55
Held, McDonald W.	293.03	68
Jun, Dorothy	76.51	55
Kafka, Sylvia	202.61	55

FEBRUARY 1978 SURVIVOR BENEFITS		
Aslakson, Elaine (s) John Aslakson, Active	300.72	45
Miller, Eileen P. (s) George E. Miller, Retired	204.69	59

MARCH 1978 RETIREMENT BENEFITS		
Beck, Robert S.	222.53	58
McFall, Evelyn	241.50	55
Young, Mary C.	89.34	64

MARCH 1978 SURVIVOR BENEFITS		
Durocher, Dorothy E. (s) Roland E. Durocher, Retired	195.32	52
Peterson, Thelma C. (s) John A. Peterson, Retired	387.55	62

APRIL 1978 RETIREMENT BENEFITS	
Danielson, Jean H.	105.23
Hanson, Florence J.	128.12
Stokke, Gordon O.	228.23
Taylor, Norman E.	1,241.07

The application for disability retirement submitted by Neva Joyce Engdahl was approved upon a motion by Mr. Burke which was seconded by Dr. Simonsen.

Dr. Simonsen then moved that the application for disability retirement for Gertrude Hatfield be approved. The motion was seconded by Dr. Gloege.

A motion to approve the disability application for Larry J. Watterson was made by Dr. Gloege and seconded by Dr. Simonsen.

The next meeting was scheduled to be held in Helena in late July or early August.

A motion to adjourn the meeting was made by Mr. Burke and seconded by Dr. Gloege, and approved by the Board.

James N. Dennehy

James N. Dennehy, Chairman

Owen L Morris Jr

Owen L. Morris, Jr., Executive Secretary

EXECUTIVE SECRETARY'S REPORT

JULY 26, 1978

Calculating current year retirements, closing out the fiscal year end and setting up for the new year has us all exceptionally busy. Further, we are undergoing an upgrade in the Statewide Budget and Accounting System (SBAS) which is causing Mary Andridge and Bob Johnson some long hours. The upgrade will also establish the control accounts to provide the detail as recommended in our last audit. Tom Murphy will have the form 5500 filed with IRS by the end of the month. If not, it will cost me personally $10.00 each day it is late.

We have two new employees. Betty Temple resigned after almost 10 years because of her husband's health. Joyce Zahn has replaced her. Marguerite Peterman left us for a better paying position and we have hired Lana Elbert in her place. Both girls are very capable, but with the July rush our troubles are somewhat compounded.

Susan Pendergast and Olivia Elliott have been hired for the summer, preparing our withdrawal and deceased member documents for microfilming.

You have undoubtedly read of the Governor's freeze on hiring for this fiscal year. Because of our relatively small staff, if we lose even one permanent employee and are prevented from filling the position, it will seriously hinder our operations. Hopefully, we will be able to keep everyone for at least a year.

TEACHERS RETIREMENT BOARD

MEETING

JULY 26, 1978

The meeting was called to order at 10:00 a.m. Those present were:

James E. Burke
LeRoy A. Corbin
George H. Gloege
J. William Kearns, Jr.
Georgia Rice
Owen L. Morris, Jr., Executive Secretary
F. Robert Johnson, Assistant Executive Secretary

The first order of business was election of officers. Mr. Burke was elected Chairman after a motion by Dr. Gloege, and seconded by Mr. Kearns. Dr. Gloege was elected Vice Chairman after a motion by Mr. Kearns which was seconded by Mrs. Rice.

Mr. LeRoy Corbin, a teacher from Butte, was officially welcomed as the newest member of the board.

The minutes of the meeting held April 12, 1978 were approved upon a motion by Mrs. Rice and seconded by Dr. Gloege.

The Executive Secretary's Report was reviewed by the board and ordered placed on file by the Chairman.

The financial, investment and mortgage reports were ordered placed on file after review and discussion.

Under New Business the Executive Secretary asked for a determination by the board whether a retired member should be allowed to purchase credit for out-of-state service, service while on leave, or other purchasable service and whether benefits should be recalculated retroactively based on such additional service. The Assistant Executive Secretary explained that there are teachers who have retired and who were eligible to purchase service prior to retirement, but who did not avail themselves of the opportunity to do so. The right to purchase service is explained in the "Handbook", however, some retired teachers argue that they should be allowed to purchase such service after retirement since they were not personally told they could do so.

Mrs. Rice moved that the purchase of credit for additional service be disallowed after a member had retired and noted that it is incumbent upon the member to be informed of his rights prior to retirement through reading the "Handbook", the law, or through inquiry to the System. The motion was approved by the board after a second by Dr. Gloege.

The next item considered was the budget request prepared for the 1979-81 biennium. Mr. Johnson explained that the budget was prepared in accordance with instructions from the Office of Budget and Program Planning and informed the board that the budget request provides an increase of 6.6% in 1980 and 1.88% in 1981. After discussion the budget request was approved upon a motion by Mr. Kearns and seconded by Mr. Corbin.

The Executive Secretary next asked approval of the lease for space rented to the Architecture and Engineering Division. Dr. Gloege moved that the lease be approved. The motion was seconded by Mr. Corbin and approved by the board.

The board next considered the Executive Secretary's request for approval of continuation of the contract with Pui Ching "Winnie" Yim for accounting services related to member account balancing through the month of August. The board approved continuation of the contract upon a motion by Mr. Kearns, seconded by Dr. Gloege.

The next item discussed was the Executive Secretary's request for a review of our current information processing system by the Systems Design Bureau, Information Systems Division, Department of Administration. He explained that the review would include an evaluation of the future information processing requirements of the System and future costs. The review would be provided at no cost to the Teachers' Retirement System. Mr. Kearns moved that the Executive Secretary request the review by the Systems Design Bureau. The motion was seconded by Dr. Gloege and approved by the board.

Discussion of attendance at the National Council on Teacher Retirement in San Diego, September 24-28, 1978, next ensued. Mr. Kearns moved that Dr. Gloege and the Executive Secretary be authorized to attend. The motion was seconded by Mrs. Rice and approved.

The Executive Secretary reported on a request by Irving Dayton that the cost of his out-of-state teaching service be based on the naximum salary of $6,000.00 upon which contributions were paid in 1963, rather than his full salary. The

Executive Secretary stated that he had contacted Michael Young and was advised that the law clearly stated the cost of out-of-state teaching service to be 5% of the first year's salary earned in Montana following the out-of-state service. The Executive Secretary reported that Dr. Dayton was so informed and that he then paid the correct amount.

The following applications for retirement and survivor's benefits were approved upon a motion by Mrs. Rice which was seconded by Dr. Gloege and approved by the board.

APRIL 1978 RETIREMENT APPLICATIONS	AMOUNT	AGE
Trang, Phyllis	143.14	55
MAY 1978 RETIREMENT APPLICATIONS		
Beck, Robert	337.17	60
Greenleaf, Irene	117.80	55
Jenkins, C. Irene	170.49	55
Mungas, Dorothy	104.10	55
Pelvit, Lester	32.11	55
Reilly, Phyllis	85.95	60
Stagg, George F.	145.04	55
MAY 1978 SURVIVOR BENEFITS		
Pfau, Ronald L. (s) Cody Pfau, Active	129.41	42
JUNE 1978 RETIREMENT APPLICATIONS		
Badger, Lenex	170.00	61
Brown, Harold B.	197.58	60
Fulton, Benita	97.81	60
Kittel, Alan H.	97.39	60
LeDesky, Mercedes	161.80	55
Leiby, Bernice June	80.06	59
Young, Francis M.	170.39	55
JUNE 1978 SURVIVOR BENEFITS		
Conway, Richard (s) Dorothy Conway, Active	92.06	35

JULY 1978 RETIREMENT APPLICATIONS	AMOUNT	AGE
Ahlgren, Ivan E.	609.73	60
Archer, Margaret	984.18	54
Arras, Eleanor Burger	271.02	58
Baker, Irene	916.55	61
Bakken, Marie	542.92	60
Bakken, Peter	958.67	55
Beilage, Bernice	122.80	65
Belling, Violet Cool	597.89	61
Betz, Zola	219.16	65
Billings, John G.	399.85	60
Birkeland, Harold	693.93	62
Bliss, Elizabeth	355.48	65
Boehler, Elsie	789.62	61
Bolle, Arnold W.	883.60	66
Boyd, James C.	996.10	62
Bragg, Hannah H.	901.33	66
Bruggeman, Vera G.	412.85	65
Bugbee, Henry G.	915.59	63
Busching, Howard C.	224.83	65
Cada, Agnes H.	714.24	63
Cameron, Ernestine J.	918.75	65
Campbell, Hugh B.	876.55	65
Canty, Ruth	441.26	59
Chapel, Marie	263.72	64
Colman, Betsy W.	513.91	65
Corey, Lena H.	699.80	64
Culver, Geraldine J.	126.15	56
Dale, Hal J.	656.69	55
Dale, Virginia	283.54	57
Davies, Doris	513.07	61
Dehl, LaFern	625.36	59
Diede, Daroline	259.48	62
Dolack, Dorothy	907.14	61
Donnes, Adeline J.	594.81	62
Dorrance, George	661.01	59
Dunbar, Marian	581.93	60
Dunham, Delmar	738.59	62
Dunham, Ida R.	514.15	59
Eck, Hugo	800.65	59
Eicholtz, Howard F.	740.08	65
Enery, Billie E.	701.71	61
Everhard, Richard L.	316.40	55
Fahn, Joseph J.	812.98	52
Ficher, Ruth D.	261.37	65
Focht, Marie G.	576.22	63
Foley, Philip	762.88	65
Foy, Adline H.	856.33	62
France, Maxine	840.55	62

JULY 1978 RETIREMENT APPLICATIONS	AMOUNT	AGE
Gibbs, Nila D.	405.48	58
Gebo, Etta	816.60	62
Grams, Doris	438.09	65
Grande, Palmer R.	599.21	56
Griffith, Mary K.	306.18	65
Hahn, Ann W.	106.41	62
Harlow, Signe M.	749.45	63
Harmala, Clifford	1,273.13	61
Harman, Marie	368.84	62
Harms, Joyce B.	559.02	61
Hartwig, Alonzo	541.83	63
Hecker, Ralph	815.10	61
Hurlburt, Ralph	377.37	65
Hveem, Mary	510.12	60
Idler, Erna M.	383.07	65
Ivanish,Blanche	624.98	56
Jensen, Lavina	553.93	62
Jensen, Peter	189.11	65
Jensen, Wilma	571.27	60
Jewell, Bernice	383.51	65
Johnson, Harold	315.06	61
Johnson, Kate	732.39	60
Kair, Edith	857.99	61
Karstens, Emil A.	417.97	64
Katz, Charles	469.37	66
Keebler, Helen	620.29	54
Keefe, Lorene	541.16	65
Kegel, Marjorie L.	416.39	59
Keller, Joseph L.	1,077.73	65
Kennemer, Dorothy	869.11	55
Kind, Patricia	253.35	62
Koehn, Irene Hendrickson	383.63	57
Kogele, Hertha	537.62	58
Korizek, William	1,431.97	62
Kron, Mary	501.49	70
Larson, Faythe	621.60	65
Larson, Gladys	245.88	64
Lewis, Frank D.	562.86	56
Lightfield, Aileen	392.74	58
Long, Jesse W.	808.99	53
Loucks, Mary Louise	505.08	59
Lucht, Archie	922.03	57
Lucht, Virginia	511.12	57
Lutz, Joseph	1,487.47	56
Mackey, Ramona	388.32	62
Maetche, Clara	454.77	60
Mammen, Doris E.	931.01	66
Markel, Ruth L.	720.76	60

JULY 1978 RETIREMENT APPLICATIONS	AMOUNT	AGE
Martell, Earl W.	730.58	64
Martin, Bessie	419.28	64
Martin, Flora	905.03	61
Martin, Jane L.	268.46	59
McCarthy, Irene	321.71	66
McCarthy, Lorene	399.74	63
McFerrin, Howard	966.23	56
McGarry, Marlyn	596.78	61
McGinley, Bernard	806.04	65
McMahon, Marion	538.91	64
Mellett, Ruth B.	943.45	63
Midgett, Adeline	585.32	68
Miller, Frances	343.19	67
Miller, Frederick	1,044.42	61
Mitzner, Helen L.	600.79	60
Mulligan, Helen	1,009.05	62
Myrick, Dana	383.22	62
Necker, Mary S.	476.42	64
Nelson, Irene M.	758.23	65
Nelson, Mary C.	551.51	61
Nichols, Genevieve L.	196.55	64
Normandeau, Lorene H.	414.00	63
Northcutt, Helene	682.65	62
Oakland, Winnie	287.64	65
O'Donnell, Ann	820.37	65
Olson, Florence	752.00	63
Olson, Peter	157.90	61
Owens, Nora E.	700.07	65
Papp, Violet A.	841.57	56
Paulus, Alice M.	613.54	62
Peacock, Frank	324.53	60
Peterson, Cletys M.	615.74	62
Picton, Paul O.	942.00	60
Pile, Doris	318.98	62
Pingle, Lillian	545.62	61
Popham, Mable	208.56	62
Post, Iva	783.65	64
Redman, Thelma	223.41	66
Reiman, Charles R.	692.47	60
Reiman, Gladys	333.09	56
Roberts, Albert	519.17	53
Roberts, William B.	1,160.62	65
Rodgers, Christine	576.47	67
Roma, Catherine	605.99	65
Ruppel, Maxine	397.99	57
Ryan, John T.	527.76	72
Ryan, Lawrence	624.90	57
Salveson, Edith	524.73	65
Sappenfield, Bert R.	1,004.80	66

JULY 1978 RETIREMENT APPLICATIONS	AMOUNT	AGE
Sarrazin, Betty A.	618.33	55
Schneider, R. C.	677.19	60
Schultze, Lois	316.21	58
Schuster, Cynthia	738.22	67
Sederholm, Theola	181.83	58
Seibel, Ann M.	276.11	60
Seibel, Robert C.	998.99	63
Shuck, Gordon	529.04	60
Simpson, Sarah C.	376.80	63
Sims, Raymond	884.06	53
Skurdal, Blanche	546.40	65
Sorenson, C. Hazel	593.36	62
Spehar, Muriel	211.67	66
Sprinkle, Francis	750.69	63
Squires, William	587.21	56
Stark, Charles M.	858.36	62
Stecher, Peter	448.86	62
Stephenson, Mable	324.45	60
Stoneberg, Verna	613.31	63
Strouf, Donald	836.74	56
Supanik, Jean	177.43	63
Swanson, Norma	638.96	65
Thompson, C. Paul	829.25	60
Todd, Raymond L.	950.83	58
VanDePete, Barbara	306.28	60
VanHorn, J. L.	997.55	65
Virostko, Anthony	735.01	55
Vogt, Idella	650.83	59
Walborn, Lorraine	273.60	62
Wallace, Corra	98.11	62
Wendelburg, Ruth	645.58	66
Westfall, Frank	750.88	65
Wheeler, Fern	198.89	64
Whiteman, Betty B.	468.00	64
Wilkinson, Charlotte	432.40	61
Wilson, Lucille	854.50	60
Wilson, Helen Mae	660.17	58
Wilson, Robert C.	1,017.42	60
Woodriff, Ray	1,328.45	69
Ylinen, Roseanne	631.47	62

Disability retirement benefits for Lucille Christensen were approved upon a motion by Mr. Kearns which was seconded by Dr. Gloege.

After a motion by Mrs. Rice, seconded by Mr. Kearns, the disability application submitted by Chester Frojen was approved.

The next meeting of the Teachers Retirement Board was tentatively scheduled for late October.

The meeting was adjourned upon a motion by Mrs. Rice which was seconded by Mr. Kearns.

James E Burke

James E. Burke, Chairman

Owen L Morris Jr

Owen L. Morris, Jr., Executive Secretary

EXECUTIVE SECRETARY'S REPORT

DECEMBER 6, 1978

We finally completed our 1977-78 postings and were able to get the member account statements to the employers for distribution to the members. As usual, when the statements are received, our mail increases considerably.

Since the start of school Bob Johnson met with the Northwest Association of Elementary School Principals in Columbia Falls and I met with the teachers in Big Timber. Bob, Tom Murphy and I were in Great Falls one day during the MEA convention and Bob and I were in Butte the next day during the MFT convention to conduct individual conferences with members. I also spent a day conducting individual conferences on the M.S.U. campus.

George Gloege and I attended the National Counsil on Teacher Retirement in San Diego, September 24-28. The main subject of concern was how to fund cost of living increases for retired members. No one had a solution, or even any good suggestions.

The System Design Bureau has started a review of our computer and information systems. It is becoming apparent that our current system is not properly designed to accomodate our needs. Hopefully we will have their report and recommendations by the first of the year.

The Legislative Auditor plans to begin an audit of the Teachers' Retirement System by December 4, 1978.

TEACHERS RETIREMENT BOARD

MEETING

December 6, 1978

The meeting was called to order at 10:00 A.M. by the Chairman. Those present were:

James E. Burke, Chairman
LeRoy Corbin
George Gloege
J. William Kearns, Jr.
Georgia Rice
Owen L. Morris, Jr., Executive Secretary
F. Robert Johnson, Assistant Executive Secretary

The Chairman presented resolutions of appreciation for James N. Dennehy and Lorence B. Simonsen, as prepared by the Executive Secretary. The resolutions were adopted upon a motion by Mr. Kearns, seconded by Dr. Gloege.

The Executive Secretary stated that he would order an appropriate plaque for Mr. Dennehy, and that Dr. Simonsen had previously been presented with a plaque.

The minutes of the meeting held July 26, 1978 were approved upon a motion by Dr. Gloege which was seconded by Mr. Corbin.

The Executive Secretary's Report was discussed and ordered placed on file by the Chairman.

The financial, investment, mortgage and budget reports were reviewed by the board and after thorough consideration were ordered placed on file for future reference.

The Executive Secretary reported that in accordance with the board's wishes, the Montana Retired Teachers' Association had been asked for suggestions for using the Fullam Fund, but that he had not had a reply.

Under old business the board next reviewed the Attorney General's opinion relative to out-of-state teaching service prior to 1971. During the discussion it became obvious that the primary problem is that teaching in a private school or institution outside of Montana can be purchased as out-of-state teaching service but there is no provision for providing credit for teaching in a private school or institution within Montana. The Executive Secretary stated that because of the obvious discrimination, he suspected we would see legislation proposed or a law suit filed.

At this point the Executive Secretary stated that the Attorney General's opinion left the door open to almost any type of "teaching" and expressed his concern whether "teaching in a barber college" would qualify as out-of-state teaching service. Mr. Corbin stated that cases in doubt would probably have to be decided on an individual basis. The board concurred.

The Executive Secretary then informed the board that he has had numerous requests to purchase service as a graduate assistant as out-of-state service. After lengthy discussion Mrs. Rice moved that service as a graduate assistant not qualify for purchase as credit for out-of-state teaching service since service as a graduate assistant is not allowed for membership service within the State. The motion was approved after a second by Dr. Gloege.

Under new business the board considered the problem of collection of overpaid refunds. The Executive Secretary explained that in some cases errors in the amount of refund had been made and that $2,449.00 since 1976 remains uncollected. The overpayments generally were caused by amounts being improperly posted because of incorrect social security numbers. Letters to collect overpayments have been sent, but in some cases we have received no response. The Executive Secretary asked the authority to turn the overpayments over for collection. Mr. Kearns moved, seconded by Dr. Gloege, that the Executive Secretary be authorized, subject to approval of the Legal Services Review Committee, to assist in the collection of overpaid refunds. The motion carried.

Under legislation, the board reviewed a proposal and draft legislation from the Board of Regents for an optional retirement system for University System personnel and also a letter from the actuary pointing out the ramifications of such a proposal. After some discussion this matter was postponed until leter in the day when representatives from the University System would be present.

The board next discussed the probable legislation that would be proposed by the Montana Education Association to change the retirement formula from the present 1/60th of average final compensation for each year of service to 1/50th. Dr. Gloege stated he felt a provision for an automatic cost of living increase would be of more benefit than an improvement in the benefit formula. It was the consensus that further discussion be postponed until it was learned exactly what legislation would be proposed.

The following applications for survivor and retirement benefits were approved upon a motion by Mr. Kearns and seconded by Dr. Gloege.

JULY 1978 RETIREMENT APPLICATIONS	AMOUNT	AGE
Baxter, Bertha	475.03	65
Bertsche, Edna M.	1,072.80	63
Blumberg, Nathan B.	1,022.35	56
Collins, Thomas J.	601.81	58
Hahn, Norma	520.92	64
Hughes, Mildred E.	792.31	65
Yates, Leland	956.91	63
JULY 1978 SURVIVOR BENEFITS		
Mikelson, Viola	510.65	69
(s) Harry Mikelson, retired		
AUGUST 1978 RETIREMENT APPLICATIONS		
Bourdet, Joseph G.	420.85	55
Feathers, Joseph J. S.	129.21	60
Frady, Joan	72.61	55
Holo, Oliver	750.89	52
SEPTEMBER 1978 RETIREMENT APPLICATIONS		
Boslaugh, Emogene	351.31	55
Crebo, Robert	809.71	56
Gilliland, Cleburne	748.34	60
Gorman, Robert	1,053.38	61
Huffman, Howard L.	525.21	55
Luther, Carl	355.96	65
Mlekush, Edwin	119.20	60
Slavsky, Clifford	69.68	55
Smith, Grace R.	194.96	58
Stark, Joe F.	172.57	60
Stevens, Ardis	270.39	56
Tibbs, Betty M.	80.30	55
SEPTEMBER 1978 SURVIVOR BENEFITS		
Krier, Jessica	854.20	58
(s) John Krier, active		
Larson, Mary C.	431.08	25
(s) Carl Larson		

OCTOBER 1978 RETIREMENT APPLICATIONS	AMOUNT	AGE
Casper, Wesley	225.43	60
Eggart, Lucile	378.09	68
Eitel, Butler	452.58	55
Lewis, Norma J.	63.33	58
Nelson, Clayton	619.39	53
Tibbs, James M.	116.98	55
VanDusen, Ara	361.24	62

OCTOBER 1978 SURVIVOR APPLICATIONS

Christensen, Eldon G. (s) Lucille J. Christensen	294.97	56
Foley, Mary A. (s) George Foley	852.46	52
Shotwell, Jack (s) Patricia Shotwell	168.41	53
Wilhelm, Sam (s) Elvera Wilhelm	248.40	72

NOVEMBER 1978 RETIREMENT APPLICATIONS

Alt, Lucille B.	429.30	60
Card, Kenneth	1,002.10	53
Daly, Betty M.	360.92	55
Harston, Clive R.	138.98	60
Scott, Arnold	235.40	55
Van Meter, Hazel K.	120.32	55

NOVEMBER 1978 SURVIVOR BENEFITS

Bender, Carol (s) Robert Bender	94.62	28

DECEMBER 1978 RETIREMENT BENEFITS

Korting, Ann B.	536.61	61
Walla, Jane	89.19	58

The Chairman then recessed the meeting to resume at 1:30 P.M.

Vice Chairman Gloege called the meeting to order at 1:30 P.M. in the absence of Chairman Burke, who had another commitment.

Mr. Jack Noble, Deputy Commissioner of Higher Education, Mr. Hugh Joiner, Second Vice President for Teachers' Insurance and Annuity Association-College Retirement Equity Fund (TIAA-CREF), and Dr. Howard Rhinehart, University of Montana Professor of Mathematics, were invited to the meeting. Mr. Alton Hendrickson, actuary, was also present.

Mr. Noble presented a program on "Optional Retirement Program for Faculty of the Montana University System (TIAA-CREF)", (see exhibit A) and a "First Draft of Proprosed Optional Retirement Program Legislation for the University of Montana System", (see exhibit B). Mr. Noble stated that an optional program as proposed would provide a needed recruiting tool for the University System.

Mr. Hendrickson presented his letter to the Executive Secretary in reply to the proposed optional retirement program, (see exhibit C). Considerable discussion ensued concerning the loss of contributions required to amortize the current unfunded liability of the system if such a plan were adopted.

After several pointed questions, Mrs. Rice suggested it would not be in the best interests of the system to support this legislation which would only favor about 8% of the members and which would not benefit any members except university faculty. She felt such a proposal would result in selection against the retirement system.

It was the consensus of the board that they could not support the proposal as presented by the University System, the Board of Regents and TIAA-CREF.

The Chairman thanked Mr. Noble, Mr. Joiner and Dr. Rhinehart for their presentation.

The meeting was adjourned after a motion by Mrs. Rice, seconded by Mr. Corbin, which was approved by the board.

James E. Burke

James E. Burke Chairman

Owen L Morris Jr

Owen L. Morris, Jr., Executive Secretary

RESOLUTION NO. 69

WHEREAS, James N. Dennehy has served as a member of the Teachers Retirement Board from July, 1970 through July, 1978, and

WHEREAS, it is the sincere and considered opinion of the members of the Teachers Retirement Board and its administrative staff, who have served with him during his years of membership, and the many members of the Teachers Retirement System, that he has served with ability and integrity and,

WHEREAS, he has contributed generously of his valuable time, experience and counsel in the equitable administration of the Teachers' Retirement System, now, therefore,

BE IT HEREBY RESOLVED, that his fellow board members, the administrative staff and the members of the Teachers' Retirement System extend and express their sincere and heartfelt appreciation to James N. Dennehy for his excellent and dedicated service during his years as a member of the Teachers' Retirement Board of the State of Montana.

James E Burke

RESOLUTION NO. 70

WHEREAS, Lorence B. Simonsen has served as a member of the Teachers' Retirement Board from July, 1971 through November, 1978, and

WHEREAS, it is the sincere and considered opinion and judgement of the members of the Teachers' Retirement Board and its administrative staff, who have served with Mr. Simonsen during his years of membership, and the many members of the Teachers' Retirement System, that he has served his office with ability, integrity and understanding, and

WHEREAS, he contributed generously of his valuable time and experience in the equitable administration of the Teachers' Retirement System, now, therefore,

BE IT HEREBY RESOLVED, that his fellow board members, administrative staff, and the members of the Teachers' Retirement System extend and express sincere and heartfelt gratitude to Mr. Simonsen for his dedicated service as a member of the Teachers' Retirement Board of the State of Montana.

James E Burke

THE MONTANA UNIVERSITY SYSTEM
33 SOUTH LAST CHANCE GULCH
HELENA, MONTANA
59601

Exhibit "A"

COMMISSIONER OF HIGHER EDUCATION

November 21, 1978

I. OPTIONAL RETIREMENT PROGRAM FOR FACULTY OF THE MONTANA UNIVERSITY SYSTEM (TIAA-CREF).

The Board of Regents is supporting a change in the teachers' retirement laws to provide eligible employees of the Montana University System, as a one-time option, to select retirement coverage with the Teachers' Insurance and Annuity Association of America/College Retirement Equities Fund (TIAA-CREF).

Reason:

In many publicly supported colleges and universities, as in the Montana University System, the need for mobility is recognized to a limited extent, in that vesting is provided for participants if they remain in employment covered by a State system. However, in order to assist in selective recruiting efforts, many colleges, both public and private, have found it necessary to provide an option for the pension mobility available through TIAA-CREF. It is this, as much as anything else, that has prompted many publicly supported colleges and universities to join the TIAA-CREF system in the last few years. A total of 448 publicly supported colleges or universities in 35 states now participate in the TIAA-CREF nationwide retirement system.

Until the last few years, there was a sustained, and often dramatic, expansion in the American system of higher education. This expansion created an unprecedented demand for qualified teachers and administrators. Colleges and universities, seeking to maintain and enhance their reputations as centers of learning and research, strengthened salaries, improved staff benefit programs and generally sought every means to compete effectively for the qualified educator.

In the early 1970's, the situation altered rapidly. Changes in the age distribution of the American population modified popular perceptions of educational needs, and intense competition for funds among many socially desirable programs combined to eliminate the rapid growth that previously occurred. The pattern for the foreseeable future will not be one of great expansion, but rather one of redirection. Much greater proportions of overall educational resources and budgets will be devoted to nontraditional programs. We have seen only the beginnings of this redirection in areas such as programs of continuing education. Institutions that prove unable to respond to changing needs face a questionable future, indeed.

While the need for modification of existing programs and development of new ones is evident, budgetary constraints will limit the resources that can be directed to these efforts. This fact will make the selective recruiting of individuals with proven expertise in specific areas ever more important. Even though the number of individuals newly employed is fewer than in the past,

the ability to recruit the right person to develop a new program or revise and strengthen an existing one, without exceeding institutional salary policies, will be critical.

A university's retirement plan can either help or hinder its ability to respond to changing needs and meet educational objectives. In order to help, the retirement plan should be tailored to meet the unique needs of educators and educational institutions. The plan should recognize that mobility among institutions is an integral part of the American system of higher education. This mobility permits institutions, teachers and their students to benefit from acquaintance with the educational practices, programs and standards of other institutions. All gain from the exchange of experiences and new ideas.

The importance of a retirement system that fully funds benefits that vest immediately in the individual and are transferrable without restriction cannot be overemphasized. Such a system, on the one hand, can be extremely important in recruiting faculty members with proven expertise; on the other hand, it can help considerably to minimize the distress that always accompanies termination, through knowledge that the terminated individual's entire accrued retirement benefits remain intact to provide a source of future income (and, in many cases, to be added to by succeeding institutions). In both ways, such a retirement plan strengthens a university's ability to respond to changing needs to maintain its vitality.

Exhibit C

Comparison of Montana Teachers' Retirement System
and
TIAA-CREF

Plan Provision	Montana Teachers' Retirement System (MTRS)	TIAA-CREF Retirement Plan
Retirement Benefits	Benefits are provided on a "defined benefit" basis. The annual retirement benefit is equal to: $\frac{\text{Creditable Service}}{60} \times \text{Final Average Comp.}^*$ *Final average compensation means a participant's three consecutive years highest average salary.	Benefits are provided on a "defined contribution" basis. Each month the employer and employee plan contributions are applied to individual TIAA-CREF annuity contracts. Retirement income is the sum of all benefit purchased during worki years and is based upo the age and full curre value of the participants annuities at tim of retirement.
Contributions:		
(a) Employee	Six and three sixteenths percent (.06187) of monthly salary.	Six and three sixteent percent (.06187) of monthly salary.
(b) Employer	Six and five sixteenths percent (.06312) of monthly salary.	Six and five sixteenth percent (.06312) of monthly salary.
Current Credited Earnings Rate:	6.0% of monthly balance in participant's individual retirement account compounded annually. (Amount of credit interest is of significance in the event a participant withdraws from MTRS or a beneficiary elects to receive a lump sum death benefit).	TIAA: 7 3/4% of monthl balance compounded annually during accumu tion period. 9% of monthly balance compounded annually dur the payout period. CREF: Varies with common stock investme experience.
Protection Against Inflation:		
(a) Before Retirement	Retirement benefit is based on a participant's three consecutive years highest average salary.	TIAA and CREF investme earnings increase the value of the annuity accumulations which translate into greate retirement income.

cont.

Plan Provision	Montana Teachers' Retirement System (MTRS)	TIAA-CREF Retirement Plan
(b) After Retirement	None	Through the CREF variable annuity, a lifetime income based upon the performance of CREF's common stock portfolio.
Vesting	Employee forfeits any right to state-provided benefits if severance occurs prior to completion of five years of service. With five or more years of service, employee is entitled to deferred retirement benefits payable at age 60 if employee's own contribution are left in MTRS.	The participant is fully and immediately vested in his or her accrued retirement and survivor benefits, including those purchased by employer contributions.
Scope of Transferability	With state employment covered by MTRS or retirement coverage may be transferred to the Public Employees' Retirement System.	Transferable among mo than 3,200 public and private colleges and universities, indepen schools, and related nonprofit educational and research organizations.
Pre-Retirement Death Benefit	A) The beneficiary of a nonvested participant will receive a lump sum refund plus interest. B) The beneficiary of a vested participant may elect: 1. a lump sum refund of employee contribution plus interest, or 2. a) a survivor's benefit, payable the first of the month following the date of the participant's death, is equal to: $\frac{\text{Creditable Service} \times \text{Final Average Comp.}}{60}$ b) a child's benefit equals $100/month until age 18. c) the beneficiary of an active vested participant will also receive $500.00	The full current valu of the participant's annuities, at time of death, including the portion bought by the employer, is payable to the beneficiary.

cont.

Plan Provision	Montana Teachers' Retirement System (MTRS)	TIAA-CREF Retirement Plan
Early Retirement:	Upon attainment of age 55 and completion of 5 years of service, with an actuarial reduction.	Actuarially determined annuity income, based on the full current value of the participant's annuities, can begin at any age.
Normal Retirement:	Attainment of age 60.	Same as #8.
Disability:	Disability benefit available after completion of five years of service. The disability benefit is equal to: $\frac{\text{Creditable Service}}{60} \times \text{Final Average Comp.}$	There is no disability benefit; however, actuarially determined income, based on the full current value of the participant's annuities, can begin a any age.
Refund of Contributions upon termination of employment:	An employee may request a refund of his or her own contribution plus interest. However, in accepting a refund of his or her contributions, an employee forfeits any right to employer purchased benefits.	A single sum "cash out (repurchase) is availa if (1) the institution consents, (2) the annu is less than 5 years o and (3) the annuity ow is not employed by nor moving to an instituti having a TIAA-CREF pla in which he or she is will be eligible to participate. Under su conditions, the portio of the accumulation attributed to employer contribution can rever to the institution, if specific by the institution.
Additional Voluntary Employee Contributions:	None	An employee may make additional single payments or increase the regular payments at any time, without having to apply for a new contract.
Deferral of Income Tax on Employee Contributions:	The Internal Revenue Code does not permit tax-deferral of required employee contribution under public retirement systems.	As authorized under Section 403(b) of the Internal Revenue Code, the participant may ma contributions by salar reduction, instead of deduction, thus deferr income taxes on contributions and their earn

cont.

Plan Provisions	Montana Teachers' Retirement System (MTRS)	TIAA-CREF Retirement Plan
		until the participant receives them as benefits. If the partic pant is age 65 and retired at that time, he or she can expect to gain a double federal income tax-exemption and to be in a lower tax bracket.

Exhibit D

Publicly Supported Colleges and Universities With TIAA-CREF Retirement Plans

1. As of September 30, 1978, there are more than 3,200 TIAA-CREF retirement plans in effect, including plans at nearly 14,000 colleges and universities and their branch campuses. About 450 of these plans are at publicly supported colleges and universities in 35 states and the District of Columbia. These publicly supported institutions offer TIAA-CREF to their faculty and administrative officers either as an alternative or supplement to the state retirement system or as the only retirement plan.

2. There are 294 publicly supported institutions in 16 states in which TIAA-CREF is offered as an alternative to the state retirement system. These states are as follows:

Arizona
Arkansas
Connecticut
Indiana
Maryland
Michigan
Minnesota
New York
North Carolina
Oregon
Pennsylvania
Tennessee
Texas
Utah
Virginia
West Virginia

3. There are 15 publicly supported institutions in 6 states in which TIAA-CREF is a supplement to the state retirement system. These states are as follows:

Alabama
Florida
Indiana
North Carolina
Oklahoma
Wyoming

4. There are 139 publicly supported institutions in 19 states and the District of Columbia in which TIAA-CREF constitutes the only retirement plan. These states are as follows:

Arkansas
Colorado
Delaware
District of Columbia
Indiana
Iowa
Kansas
Kentucky
Maine
Michigan
Nebraska
Nevada
New Hampshire
New Jersey
North Dakota
Ohio
Pennsylvania
Rhode Island
Vermont
Washington

Exhibit "B"

October 31, 1978

First Draft of Proposed Optional Retirement Program Legislation for the University of Montana System

Amend Chapter 85 of Title 75, R. C. M. 1947, by adding a new section 75-8501.1 to read as follows:

"75-8501.1. Optional retirement program. The regents of the Montana university system may establish an optional retirement program under which contracts providing retirement and death benefits may be purchased for administrative officers and members of the instructional and scientific staff as follows:

(1) An optional retirement program may be a separate system or fund or may participate in a larger system or fund with respect to some or all of the benefits provided under the program. The benefits under the optional retirement program may be provided through insurance policies or annuity contracts, either fixed or variable in nature, or through a combination thereof, as specified in the program. The state and the participants shall contribute, to the extent authorized or required, toward the purchase of such contracts that shall be issued to the participants.

(2) Elections to participate in the optional retirement program shall be made as follows:

(a) Eligible employees initially appointed on or after July 1, 1979, within 90 days after entry into service, shall elect:

(i) To join the teachers' retirement system of the state of Montana; or

(ii) To participate in the optional retirement program of the Montana university system,

except that any such person initially entering service during the period

July 1, 1979 through September 30, 1979, may defer such election until December 31, 1979. The election shall be made in writing and filed with the teachers' retirement system and the disbursing officer of his employing institution and shall be effective as of the date of entry into service.

(b) In the event an eligible employee fails to make an election as provided in the foregoing paragraph, he shall be deemed to have elected membership in the teachers' retirement system.

(c) Eligible employees initially appointed before July 1, 1979, may elect to participate in the optional retirement program. The election shall be made in writing and filed with the teachers' retirement system and the disbursing officer of his employing institution on or before December 31, 1979, shall become effective as of January 1, 1980, and shall constitute a waiver of all benefits provided by the teachers' retirement system except as may otherwise be provided by law.

(d) Any eligible employee who is a member of the teachers' retirement system at the time of election to participate in the optional retirement program shall be deemed to be a person who discontinues service on the effective date of such election for the purpose of determining his eligibility for rights and benefits under said system; provided however, that if he does not withdraw his accumulated contributions, (i) his continued service with a unit of the Montana university system while under the optional retirement program shall be deemed to be member service in the teachers' retirement system for the purpose of determining his eligibility for any vested retirement allowance, retirement allow-

ance, ~~retirement allowance~~ or ordinary death benefit under such system dependent upon a specified period of total service or upon attainment of a specified age while in service or upon death while in service; and (ii) the amount of any such benefit to which he or his estate or person designated by him may become entitled under such system shall be computed only on the basis of service otherwise creditable to him therein and his compensation during such service. Electing employees and their beneficiaries shall not be entitled to any right or benefit under the teachers' retirement system other than a vested retirement allowance, retirement allowance or ordinary death benefit to the extent expressly provided for in this paragraph.

(e) Any state employee who becomes eligible to elect the optional retirement program by reason of:

(i) The certification of the position held by him as an administrative officer or member of the instructional or scientific staff; or

(ii) His appointment, promotion, transfer or reclassification to a position previously so certified,

may elect the optional retirement program. The election shall be made in writing and filed with the teachers' retirement system and the disbursing officer of his employing institution within 30 days after notice in writing to the employee of his eligibility, and shall become effective on the date of the election, except that in no case shall such election become effective prior to January 1, 1980.

(f) An election by an eligible employee of the optional retirement program shall not be effective unless it is accompanied by an appropriate application, where required, for the issuance of a contract or contracts under the program.

(3) The regents of the Montana university system shall contribute on behalf of each participant in the optional retirement program an amount equal to the employer contribution required under the teachers' retirement system. Each participant shall also contribute an amount equal to the employee contribution required under the teachers' retirement system. Payment of contributions required by this section shall be made by the disbursing officer of each institution to the designated system or fund for the benefit of each participant.

(4) The regents of the Montana university system shall designate the system or fund from which contracts are to be purchased under the optional retirement program and shall approve the form and contents of such contracts. In making the designation and giving the approval, the regents shall consider:

(a) The nature and extent of the rights and benefits to be provided by such contracts for participants and their beneficiaries;

(b) The relation of such rights and benefits to the amount of contributions to be made;

(c) The suitability of such rights and benefits to the needs of the participants and the interests of the Montana university system in the recruitment and retention of administrative officers and members of the instructional and scientific staff; and

(d) The ability of the designated system or fund to provide such suitable rights and benefits under such contracts.

(5) If the regents of the Montana university system elect to establish and maintain an optional retirement program, they may provide for the administration of the program and the performance of all functions which may be necessary for the accomplishment of the program.

(6) Any administrative officer or member of the instructional or scientific staff electing to participate in the optional retirement program shall be ineligible for membership in the teachers' retirement system so long as he remains continuously employed in any position by any unit of the Montana university system.

(7) A retirement, death or other benefit shall not be paid by the State of Montana or the regents of the Montana university system under the optional retirement program. Benefits are payable to participating employees or their beneficiaries only by the designated system or fund in accordance with the terms of the contracts.

(8) The benefits, annuities, and the employer and employee contributions provided for under the optional retirement program, and all interest, earnings and all other credits pertaining to such benefits, annuities and contributions are hereby exempted from any state, county or municipal tax of the state of Montana, and shall not be subject to execution, garnishment, attachment by trustee process or otherwise, in law, or equity, or any other process whatsoever and shall be unassignable except as specifically provided."

Section________. Section 75-6209, R. C. M. 1947, is amended to read as follows:

"75-6209. Active membership. Any of the following persons shall be active members of the retirement system unless otherwise provided by this Title, except for those persons who became eligible for membership on the first day of September, nineteen hundred and thirty-seven (1937) or on the first day of September, nineteen hundred and thirty-nine (1939) and who elected not to be a member under the provisions of the law at that time:

(1) Any person who is a teacher, principal or district superintendent as defined under the provisions of section 75-6101.

(2) Any person who is an administrative officer or a member of the instructional or scientific staff of a unit of the Montana university system [.] unless such person elects to participate in the optional retirement program established by the regents of the Montana university system in accordance with the provisions of section 75-8501.1 .

(3) Any person employed in an instructional services capacity by the office of the superintendent of public instruction, the office of a county superintendent, a public institution of the state of Montana, the Montana state deaf and blind school, or a district.

(4) Any person who shall have elected not to become a member of the retirement system and is re-entering service in a capacity prescribed by subsections (1), (2) and (3) above."

Exhibit "C"

HENDRICKSON & BIRD, INC.

PENSION SERVICES

Consulting ▪ Actuarial ▪ Administrative

1820 Eleventh Avenue
Helena, Montana 59601
(406) 442-5141

November 27, 1978

Owen L. Morris, Jr.
Executive Secretary
Teachers' Retirement System
1500 Sixth Avenue
Helena, MT 59601

Re: Optional Retirement Program for the University of Montana System

Dear Owen:

As you have requested, I have reviewed the preliminary report prepared by the Teachers' Insurance and Annuity Association of America - College Retirement Equities Fund (TIAA-CREF). The report proposes an optional retirement plan for members of the University System. The optional plan would provide an employee contribution of 6.312% of salary with an employee contribution of 6.187%, similar to the present rates under the Teachers' Retirement System.

The results of our review are described below:

Vesting

The report notes that the Montana Teachers' Retirement System (MTRS) does not provide full vesting in benefits until after 5 years of employment. The optional plan would provide immediate vesting.

Most public and private retirement systems require a minimum length of service to receive full vested rights. Employers often feel no obligation to provide retirement benefits to short-term employees, and that the cost savings can be better used to provide larger benefits to long-term employees.

Adequacy of Benefits

In determining whether or not the benefits provided by MTRS are equitable and reasonable as compared to those proposed by TIAA-CREF, it is important to note the distinction in two types of retirement plans:

1) The retirement plan provided by MTRS is commonly referred to as a defined benefit plan. Under this plan, each member at retirement receives a benefit which is a percentage of his average salary for each year of service. The average salary is based upon the average monthly earnings during the highest 5 consecutive years of earnings.

2) The TIAA-CREF proposal is commonly referred to as a defined contribution plan. Under this plan, there are no specified benefits at retirement, rather, each member has a percentage of his salary set aside each year. Each account grows with contributions as well as the actual investment return on these contributions. The benefits available at any point in time would be determined by the member's account value at that time.

The advantages of the defined benefit plan of the MTRS is that members are assured of the benefits which they will receive at retirement. Only two factors will determine the benefits, salary and years of service. The defined contribution plan of the TIAA-CREF has three factors, salary, years of service, and investment earnings.

It can be argued that both plans provide equitable and reasonable benefits. The defined benefit plan guarantees the benefit at retirement while the defined contribution guarantees the contribution each year. Generally speaking, the defined benefit plan is more advantageous to the older member while the defined contribution plan is more advantageous to the younger members.

Cost of Optional Retirement Program

If the optional retirement program is implemented, there will be additional cost to MTRS. The factors contributing to the additional cost are discussed below:

1) Vesting - A substantial portion of the MTRS funding is derived from forfeitures of those members who terminate in the first 5 years. The employer's contributions remain in the fund to assist in providing benefits to those members who stay beyond 5 years. Short-term employees would generally join the TIAA-CREF plan, thus depriving MTRS of these forfeitures.

2) Increase in Average Age of MTRS Membership - The contribution rates under MTRS are developed through actuarial valuations which in a sense weight the average age of the membership. It can be assumed that the members of the University System who will elect to participate in the optional retirement program will generally be the younger members. As a result, the average age of the membership will be increased, resulting in a need for higher contribution rates from the remaining members.

3) Unfunded Past Service Liability - The MTRS plan presently has a unfunded past service liability resulting from liabilities created by credit for out-of-state teaching, military service, and service prior to the establishment of the system; cost of living increases to those members presently retired; and legislative improvement in benefits to active members for which there was no previous funding. As a result, a substantial portion of the employer contribution is required to amortize this liability over the next 40 years. Therefore, only a fraction of the employer contribution is applied toward the cost of benefits as they accrue in future years.

   The latest actuarial valuation has determined that the contribution rate as percentage of salary required to amortize the past service liability is 4.447%. If the total employer contribution of 6.312% is paid to the TIAA-CREF plan, the portion applied to the unfunded liability will be lost.

Death and Disability Benefits

It should be noted that the death and disability benefits for members with at least 5 years of service are greater than the actuarial equivalent of the accrued retirement benefits. As such, part of the required contributions are used to provide these additional benefits and are not applied directly to retirement benefits.

Conclusion

Our concern is not whether another retirement plan is permitted, but rather that the members of the University System not be given an opportunity to select against MTRS. In other words, all members of the University System should either remain under the MTRS or be placed under TIAA-CREF. If they are allowed a choice, there are many opportunities for selection against MTRS which will increase the overall cost to the remaining members. These selection factors include:

1) Short-term members will select TIAA-CREF because of the immediate vesting and therefore remove the financial advantage to the system from the anticipated turnover of this group.

2) Younger members will generally join TIAA-CREF and therefore leave the system with the more costly older members. Again this will tend to increase the contribution rate required of the system.

3) Because of the more generous death and disability benefits under MTRS, there could be a tendency of selection of risk against the State.

Disregarding other cost factors, if the TIAA-CREF plan is implemented, the employer contribution to this plan should be 1.865% of salary. The remaining 4.447% of the employer contribution should continue to be paid to the Teachers' Retirement System to fund the past service liability.

Sincerely,

Alton P Hendrickson

Alton P. Hendrickson, ASA

mb

THE TEACHERS RETIREMENT BOARD

SPECIAL LEGISLATIVE MEETING

December 15, 1978

The meeting was called to order at 9:30 A.M. by the Chairman. Those present were:

James E. Burke, Chairman
LeRoy Corbin
George Gloege
J. William Kearns, Jr.
Harold Wenaas
Owen L. Morris, Jr., Executive Secretary
F. Robert Johnson, Assistant Executive Secretary
Alton Hendrickson, Actuary

The Chairman welcomed Dr. Wenaas, Superintendent of the Great Falls Public Schools, as the newly appointed board member.

Chairman Burke explained that the purpose of the meeting was to discuss legislation that might be proposed regarding the retirement system. He then asked those present to introduce themselves. They were:

Phil Campbell, Montana Education Association
Dave Sexton, Montana Education Association
Jim McGarvey, Montana Federation of Teachers
John Malee, Montana Federation of Teachers
T. Carl Johnson, School Administrators of Montana
Robert Hamilton, Montana Retired Teachers Association
Alve Thomas, representing Georgia Rice, Office of the Superintendent of Public Instruction

Mr. McGarvey stated the MFT will be working toward a cost of living increase for retired teachers, although the details had not been finalized. He noted they recognized the funding problems involved.

Mr. Sexton stated the MEA would support a cost of living proposal for retired teachers but thought financing should come from the employer or a state appropriation. He further stated that the MEA would ask for legislation to provide a in the benefit formula to 1/50th of average final compensation for each year of service and that the additional contribution be paid by the employer.

Mr. T. Carl Johnson reported that the School Administrators of Montana has adopted a resolution supporting the 1/50th formula and a cost of living increase.

Mr. Robert Hamilton said the retired teachers will ask for a cost of living increase but was uncertain what type of increase will be requested. Dr. Gloege stated that he had heard that legislation would be proposed to provide retirees with a 6% increase of $1.00 per month for each year of service, whichever is greater.

A discussion followed whether teachers would be willing to share in the additional costs of either the change in formula or a cost of living proposal.

Mr. Campbell said the MEA, by direction of their membership, was willing to split the cost with the employer to get the formula change if necessary, but initially would ask that the entire cost be placed on the employer.

Mr. McGarvey stated that he felt a poll of the teachers might be in order to determine whether they would be willing to share the costs of either or both proposals.

Dr. Wenaas pointed out that teachers are concerned with the soundness of the system and that such a poll should indicate what is required to insure the actuarial soundness of the system.

The Executive Secretary said the system would cooperate in any way in preparing a questionnaire but lacked the personnel to actually conduct the poll.

The discussion then turned to whether all legislation whould be in one bill or as separate items. It was the consensus that each item should be in a separate bill.

After general discussion of possible other legislation that might be of consequence to the system, the meeting was recessed for lunch.

The Chairman called the meeting to order at 1:30 P.M.

The next item of business was a review of the Attorney General's opinion relative to the inclusion of severance pay in determining average final compensation. The Executive Secretary reported that in some instances retirement benefits are increased 18% to 20% when severance pay is added. He noted that this does create a liability to the system in that contributions are only paid the month in which the severance pay is made and the system has not had the interest earnings from these contributions during the member's career.

After lengthy discussion of the effects of severance pay and possible limitations, the Executive Secretary was directed to ascertain what alternatives might be considered rather than the current practice of using all severance pay in the determination of average final compensation.

A special meeting was scheduled for January 11, 1979 to further consider the severance pay issue.

The meeting was adjourned upon a motion by Dr. Wenaas and seconded by Mr. Corbin.

James E. Burke

James E. Burke
Chairman

Owen L Morris Jr

Owen L. Morris, Jr.
Executive Secretary

THE TEACHERS RETIREMENT BOARD

SPECIAL MEETING

January 11, 1979

The meeting was called to order at 10:00 A.M. by the Chairman. Those present were:

James E. Burke, Chairman
LeRoy Corbin
J. William Kearns, Jr.
Georgia Rice
Harold Wenaas
Owen L. Morris, Jr., Executive Secretary
F. Robert Johnson, Assistant Executive Secretary

The Chairman announced the purpose of the meeting was to consider possible alternatives in the use of severance pay in determining average final compensation, which had been sent previously to the board. (Attached as exhibit A)

The Executive Secretary also exhibited a list of last year's retiress who had received severance pay which was included in the calculation of their benefits.

Mrs. Rice asked the approximate amount of the total increase in benefits. Mr. Johnson replied that the annual amount was approximately $29,000.00, and assuming these people live fifteen years, it represents a reserve requirement of $435,000.00.

Dr. Wenaas inquired as to the percentage of retirees who received severance pay. Mr. Corbin stated that the severance pay was written into contracts in Butte and asked what prompted the Attorney General's opinion. The Executive Secretary replied that the law was changed in 1977 to include all remuneration or pay a teacher received. The Attorney General had issued an opinion to John Driscoll concerning severance pay under a negotiated contract and the opinion stated that severance pay was considered deferred compensation attributable to all of the years of employment. As a result of that opinion the board directed the Executive Secretary to ask for clarification of severance pay regarding the determination of average final compensation for retirement purposes.

Mr. Corbin then asked whether the liability created by the use of severance pay had ever shown on the actuarial valuation. The Executive Secretary reported that it did not reflect as a separate item but was included as part of the general unfunded liability. He further explained that the unfunded liability was generally attributable to prior service credit, granting of free military service and the purchase of out-of-state teaching service where only the employee contributions were received.

Mr. Corbin then asked whether the board had previously discussed the severance pay issue and the liabilities it created. The Executive Secretary replied "Yes", but that in the past the number of people receiving severance pay was rather minimal and that because of the pronounced increase this year in the additional benefit, he felt he was obligated to bring it to the board's attention. He also wanted to point out the potential for additional liabilities in the future because of increased severance payments.

Mr. Corbin said that severance pay was a negotiated item and it would not be morally right to take it away. He would rather see all school districts negotiate severance pay in their contracts. He suggested that since the problem was not a great one at present, it be let go for a while to see if it actually does become worse.

Dr. Wenaas stated that proposing legislation to change this situation two years from now would be harder than doing so in the present session of the legislature.

Mrs. Rice asked the Executive Secretary for his first two choices of the four alternatives presented.

The Executive Secretary replied that his first choice would be to not use any severance pay in the calculation of retirement benefits and his second choice would be a replacement of the first months salary of the three years with salaries which would include the severance pay. The Executive Secretary reiterated his previous statement that he felt an obligation to call the board's attention to the liabilities created by the use of severance pay and that it was the board's responsibility to make a decision whether to continue using it in the calculation of retirement benefits, or to recommend ammending the current law.

After much discussion Mr. Corbin moved that the severance pay issue be tabled with a study made and data collected concerning the financial implications, and, if necessary, propose any changes to the next legislature. Mrs. Rice stated she would like to see the motion ammended to provide that if someone introduced legislation in the current session to limit the use of severance pay, the board meet to consider the issue at that time.

Mr. Corbin ammended his motion, which was seconded by Mrs. Rice, and approved.

At this point the Executive Secretary recommended that in order to halt further unfunded liabilities caused by the purchase of out-of-state teaching service at a charge based only on an amount equal to the employee contribution, we ask for legislation to provide for payment of an amount equal to both the employer and employee contributions for the purchase of out-of-state service.

Mr. Kearns moved that the Executive Secretary draft the required legislation and asked that it be introduced in this session of the legislature. Dr. Wenaas seconded the motion which was approved by the board.

The next item considered by the board was attendance at the National Conference on Public Employee Retirement Systems, to be held in San Diego March 25 - 29, 1979. After discussion, Dr. Wenaas moved to send one board member and one staff member to the conference. The motion was seconded by Mr. Kearns and approved by the board. The board then authorized Mr. Johnson and Mr. Kearns to attend the National Conference on Public Employee Retirement Systems.

The Executive Secretary then presented the request of Max Amberson to purchase credit for out-of-state service for employment with the Peavy Company as a farm youth director. After discussion of the issue Dr. Wenaas moved to deny Mr. Amberson's request on that basis that this was not instructional service performed in a classroom in an instructional institution. The motion was seconded by Mr. Corbin and approved.

The board next considered the application for disability retirement for Winifred E. Schweitzer, which was approved by the board after a motion by Mr. Kearns, seconded by Mr. Corbin.

The next meeting was scheduled for late April, 1979.

The meeting was adjourned upon a motion by Mr. Kearns and seconded by Dr. Wenaas.

James E. Burke

James E. Burke
Chairman

Owen L Morris Jr

Owen L. Morris, Jr.
Executive Secretary

1

75-6201 (11) "Earned compensation" means the full compensation, pay, or salary actually paid to a member and reported to the retirement system, including irregular forms of remuneration, such as amounts paid for special duty or under a salary reduction agreement, and amounts paid in kind, such as maintenance. Lump-sum payment for sick leave, annual leave, severance pay, stipends, bonuses, or any other form of terminal pay or compensation for services not actually rendered is not earned compensation.

EXAMPLE:	3 HIGHEST CONTRACT SALARIES	30 YEARS SERVICE
	$15,000	
	17,500	
	20,000	
Total	$52,500	

Final Average Salary $17,500
No severance pay included

$$\text{Annual benefit} = \frac{30}{60} \times \$17{,}500 = \$8{,}750$$

The next meeting was sched[illegible] late April, [illegible]

[illegible] meeting was adj[illegible]rned upon [illegible] by Mr. [illegible] and seconded by Dr. [illegible]

2

75-6201 (11) "Earned compensation" means the full compensation, pay, or salary actually paid to a member and reported to the retirement system, including irregular forms of remuneration, such as amounts paid for special duty or under a salary reduction agreement, and amounts paid in kind, such as maintenance. Lump sum payments for sick leave, annual leave, severance pay, stipends, bonuses or any other form of terminal pay is earned compensation but only in an amount not to exceed 25% of the normal salary for the highest year used in the determination of average final compensation as provided by Section 75-6201 (12).

EXAMPLE:	3 HIGHEST CONTRACT SALARIES	30 YEARS SERVICE
	$15,000	
	17,500	
	20,000	
Plus severance pay of 25% of last year's salary	5,000	
Total	$57,500	
Final average salary	$19,166.67	

Annual benefit = $\frac{30}{60}$ x 19,166.67 = $9,583.33

Example #2 increases benefit over example #1 by 9½%

3

75-6201 (11) "Earned compensation" means the full compensation, pay, or salary actually paid to a member and reported to the retirement system, including irregular forms of remuneration, such as amounts paid for special duty or under a salary reduction agreement, and amounts paid in kind, such as maintenance. Lump sum payment for sick leave, annual leave, severance pay, stipends, bonuses or any other form of terminal pay is earned compensation only to the extent to replace a lesser salary on a daily pay basis.

EXAMPLE:	3 HIGHEST CONTRACT SALARIES	30 YEARS SERVICE
	$15,000	Severance pay of 90 days @ $111.11 = $10,000 ($20,000 ÷ 180)
	17,500	
	20,000	
	$57,500	180 days = 1 school year
		Daily rate of pay on salary of $15,000 = $83.33 ($15,000 ÷ 180)
	$15,000	
	(7,500)	less 90 days @ $83.33
	10,000	plus 90 days @ $111.11
	$17,500	First year's salary

SALARIES USED

$17,500
17,500
20,000

55,000

÷ 3 = 18,333.33 = FINAL AVERAGE SALARY

ANNUAL BENEFIT = $\frac{30}{60}$ x 18,333,33 = $9,166.67

Example #3 increases benefit of example #1 by 5%

4

75-6201 (11) "Earned compensation" means the full compensation, pay, or salary actually paid to a member and reported to the retirement system, including irregular forms of remuneration, such as amounts paid for special duty or under a salary reduction agreement, and amounts paid in kind, such as maintenance. Lump sum payments for sick leave, annual leave, severance pay, stipends, bonuses or any other form of terminal pay is earned compensation only to that portion which is attributable to the last 3 years of employment.

EXAMPLE:	3 HIGHEST CONTRACT SALARIES	30 YEARS SERVICE
	$15,000	
	17,500	
	20,000	
Severance pay of $9,999 attributable to only the last 3 years 3/30 =	999	
	53,499	
Final average salary	17,833	

Annual benefit = $\frac{30}{60}$ x 17,833 = 8,916.50

Example #4 increases benefit over example #1 by 2%

Example #4 does not properly reflect the fact that practically all accrued vacation pay of administrators, university professors and state employees occurs within the last 3 years of employment and would, therefore, be includable as earned compensation.

COUNTY	NAME	MONTHLY INCREASE DUE TO SEVERANCE PAY
Yellowstone	Margaret Archer	10.15
Sheridan	Marie Bakken	7.59
Blaine	Zola Betz	6.48
Silver Bow	Edna M. Bertsche	179.98
Carbon	John G. Billings	35.57
Yellowstone	Harold J. Birkeland	8.02
Cascade	Elizabeth Bliss	7.51
U of M	Nathan B. Blumberg	28.87
Missoula	Elsie Boehler	30.98
Lewis & Clark	Ernestine J. Cameron	21.19
Silver Bow	Ruth Canty	2.48
Silver Bow	Betsy Coleman	63.84
Missoula	Hal Dale	21.01
Missoula	Virginia Dale	2.62
Yellowstone	Doris C. Davies	4.05
Cascade	Dorothy Dolack	32.57
Yellowstone	George Dorrance	4.07
Phillips	Marian Dunbar	3.70
Silver Bow	Billie Emery	89.13
Yellowstone	Richard Everhard	4.20
Missoula	Ruth Fisher	9.46
Yellowstone	Marie Focht	4.86
Silver Bow	Philip C. Foley	107.32
Yellowstone	Etta Gebo	10.83
U of M	Mary K. Griffiths	8.66
Dawson	Clifford Harmala	126.60
Silver Bow	Kate M. Johnson	102.32
Yellowstone	Lorene L. Keefe	5.98
Cascade	Donald Knutson	45.42
Yellowstone	Irene Koehn	5.38
Lewis & Clark	William Korizek	148.96
Silver Bow	Faythe Larson	14.73
Lewis & Clark	Mary Louise Loucks	11.66
Lewis & Clark	Archie Lucht	61.95
Hill	Joseph Lutz	134.39
Lewis & Clark	Virginia Lucht	11.92
Yellowstone	Doris E. Mammen	10.13
State Department	Flora E. Martin	58.06
U of M	Earl Martell	80.54
Silver Bow	Irene McCarthy	8.34
Cascade	Howard McFerrin	109.04
Silver Bow	Marlyn McGarry	6.20
Lewis & Clark	Bernard McGinley	19.79
U of M	Adelaine S. Midgett	16.88
Gallatin	Maxine France	6.23
Yellowstone	Clayton E. Nelson	11.24
Yellowstone	Violet E. Papp	9.72
Western MT. College	Paul O. Picton, Jr.	94.95
Cascade	Charles Reiman	29.41
State Department	Jerry Shanley	25.63

COUNTY	NAME	MONTHLY INCREASE DUE TO SEVERANCE PAY
Montana Tech	Gordon Shuck	12.14
Silver Bow	Raymond Sims	125.06
Yellowstone	Peter J. Stecher	17.16
Lewis & Clark	Verna Stoneberg	14.15
Missoula	Lois E. Schultze	1.27
U of M	Robert Sullivan	184.86
Missoula	Norma Swanson	23.12
Cascade	Raymond L. Todd	40.31
Northern MT College	Barbara Vande Pete	7.14
Lewis & Clark	Anthony Virostko	15.89
Yellowstone	Helen Wilson	8.29
Yellowstone	Robert C. Wilson	8.86
U of M	Leland Yates	27.30

EXECUTIVE SECRETARY'S REPORT

April 25, 1979

I have attached copies of all the bills introduced in the recent session of the legislature which were of concern to the retirement system. Of these, only House Bill 491, which was our bill increasing the cost to purchase out-of-state teaching service, and House Joint Resolution 40, made it through. All the others were killed. We did get a surprise in House Joint Resolution 40, which originally was intended to only provide for a study of providing cost of living increases to retired teachers.

The resolution was apparently ammended in committee to provide for a study to include consolidation of the retirement systems. Even the sponsor of the bill, Representative Holmes, was unaware of this ammendment. We did attempt to have the ammendment taken out in the Senate Committee on State Administration but were unsuccessful.

The MEA bill changing the formula from the present 1/60th to 1/50th of average final compensation for each year of service was also killed. This was the only other bill which we supported.

This session of the legislature was one of the most difficult I have had to work with. I think we were fortunate in not having had any more legislation introduced than we did.

Our microfilming is continuing and we now have all of our refunds from 1937 through 1966 on film, as well as our deceased member files from 1937 to 1973, and our retired benefit payrolls through 1976. If we have funds in our budget for the purchase of a microfilm reader/printer, we will seek approval to destroy all the records that have been microfilmed.

The Legislative Auditor's staff is still here and it looks as though they may finish their work next week. It will probably take another month or two before they have their preliminary report drafted.

We finally got rid of our old Burroughs E-6000 computer. The Social and Rehabilitation Services Department noticed this equipment on the surplus property list and asked that we give it to them so that they might loan it to rehabilitate a former Burroughs repairman who has lost the use of his legs. The

Department of Social and Rehabilitation services now has title to the equipment and transported it to Billings at their expense.

Bob and I spoke with the public school teachers in Bozeman earlier this month and I am scheduled to meet with the secondary school principals in Bozeman tomorrow. We also have requests to conduct conferences with teachers in Billings and at MSU before school is out. We will undoubtedly have other requests before then.

Tom Murphy, our accounting assistant submitted his resignation last week, effective May 9. At this time we have not decided to hire an accounting person, or someone to fill the position as it was originally set up, to include someone capable of going on the road 50% of the time to provide retiring members with estimates and for general retirement counseling.

The conversion of our mortgage accounting to the computerized exception accounting system is going better that we had anticipated. From present indications we will have finalized conversion by the first of June. Patty Petersen has taken charge of this project and ks responsible for its success. She has been able to handle this in addition to her other duties, whereas PERS found it necessary to hire an extra person plus assign two permanent staff members to complete their conversion.

D. Morris

46th Legislature

LC 0574/01

State Administration

Objection Raised to
Adverse Committee Report

House BILL NO. 135

INTRODUCED BY [illegible] Iverson, [illegible] Sales

A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND THE PROVISIONS IN THE TEACHERS' RETIREMENT SYSTEM OF THE STATE OF MONTANA RELATING TO EARLY RETIREMENT; REDUCING THE MINIMUM EARLY RETIREMENT AGE FROM 55 YEARS TO 50 YEARS; REVISING THE FORMULA FOR CALCULATING THE EARLY RETIREMENT ALLOWANCE; AND AMENDING SECTION 19-4-802, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 19-4-802, MCA, is amended to read:

"19-4-802. Early retirement. (1) A member who has at least 5 years of creditable service, whose last 5 years of creditable service were in this state, and who has attained the age of ~~55~~ 50 may retire from service and be eligible for an early retirement allowance if he files with the retirement board his written application setting forth the fact of his retirement.

(2) The early retirement allowance shall be determined as prescribed in 19-4-804(1) and (2), with the exception that the allowance will be reduced by ~~1/2~~ 1/4 of 1% multiplied by the number of months by which the retirement date precedes the date on which he would have retired had he attained 60 years of age or had he completed 30 years of

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LC 0574/01

creditable service."

-End-

RECEIVED
JAN 30 1979
TEACHERS' RETIREMENT SYSTEM

HB 135

SECOND READING

STATE OF MONTANA

Request No. 100-79

FISCAL NOTE

Form BD-15

In compliance with a written request received January 24, 1979 , there is hereby submitted a Fiscal Note for House Bill 135 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to amend the provisions in the Teachers's Retirement System of the State of Montana relating to early retirement; reducing the minimum early retirement age from 55 years to 50 years; revising the formula for calculating the early retirement allowance by reducing the early retirement allowance by 1/4 of 1% rather than 1/2 of the 1% multiplied by the number of months by which the retirement date precedes the date on which he would have retired had he attained 60 years of age or had he completed 30 years of creditable service.

ASSUMPTIONS:

The true financial impact of this bill can only be determined by a complete actuarial valuation of the retirement system, however, based on the past experience of the Teachers' Retirement System, it may be estimated that:

1. 50 members will elect the proposed option each year at an average retirement age of 55 with 25 years of service.

2. The average salary of these members will be $1,500 per month.

FISCAL IMPACT:

The additional cost to the Teachers' Retirement System due to the proposed legislation will be $56,250 in FY 1980. The cost will continue to increase each year by $56,250. (These costs do not include investment earning losses.)

RECEIVED
FEB 02 1979
TEACHERS' RETIREMENT
SYSTEM

BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 1/29/79

House BILL NO. 491

INTRODUCED BY Menahan Gallagher Daily
Harrington Palmer

A BILL FOR AN ACT ENTITLED: "AN ACT TO CHANGE THE EMPLOYEE CONTRIBUTION FOR CREDITABLE SERVICE FOR OUT-OF-STATE EMPLOYMENT; AMENDING SECTION 19-4-402, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 19-4-402, MCA, is amended to read:

"19-4-402. Creditable service for out-of-state employment. A person applying for membership may also apply for creditable service in the retirement system for out-of-state employment service that would have been acceptable under the provisions of this chapter if such service had been performed in the state of Montana. The person shall be awarded creditable service, conditional upon his completing 5 years of active membership in Montana, for the number of years, not exceeding 5, that the retirement board determines to be creditable service, if he contributes to the retirement system an amount equal to the combined employer and employee contribution for his first full year's teaching salary earned in Montana after his out-of-state service for each year of creditable service plus interest at the rate the contribution would have earned had the contribution been in his account upon the completion of 5

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teachers

years of membership service in Montana. The contribution rate shall be that rate in effect at the time he is eligible for such service. The contributions may be made in a lump-sum payment or in installments as agreed between the person and the retirement board."

-End-

HB 491

THIRD READING

Morris, Teachers'

STATE OF MONTANA

FISCAL NOTE

Request No. 436-79

Form BD-15

In compliance with a written request received March 2, 1979, there is hereby submitted a Fiscal Note for House Bill 491 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 491 provides for a change in the cost to a teacher to purchase credit for out-of-state teaching service from an amount equal to the employee contribution for his first full year's teaching salary earned in Montana following the out-of-state teaching service for each year purchased, plus interest, to an amount equal to the combined employee-employer contribution.

FISCAL IMPACT:

A dollar amount cannot be determined since we do not know how many teachers will purchase credit for out-of-state teaching service. House Bill 491 will provide the amount required to actuarially fund the additional service.

Richard L. [illegible] for

BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 3/5/79

House BILL NO. 492

INTRODUCED BY Menahan Gilligan Daily
Harrington Pavlovich

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE AN ANNUAL AUTOMATIC COST-OF-LIVING INCREASE IN RETIREMENT ALLOWANCES AND LIFE ANNUITIES RECEIVED UNDER THE TEACHERS' RETIREMENT SYSTEM; AMENDING SECTION 19-4-101, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 19-4-101, MCA, is amended to read:

"19-4-101. Definitions. As used in this chapter, unless the context clearly indicates otherwise, the following definitions apply:

(1) "Accumulated contributions" means the sum of all the amounts deducted from the compensation of a member or paid by a member and credited to his individual account in the annuity savings fund, together with interest. Regular interest shall be computed and allowed to provide a benefit at the time of retirement.

(2) "Actuarial equivalent" means a benefit of equal value when computed, with regular interest, on the basis of the mortality tables adopted by the retirement board.

(3) "Annuity" means the payments made to a beneficiary for life which are derived from a member's accumulated contributions.

(4) "Annuity reserve" means the present value of all payments to be made on account of a member's annuity computed, with regular interest, on the basis of the mortality tables adopted by the retirement board.

(5) "Average final compensation" means the average of the earned compensation of a member during the 3 consecutive years of full-time service which yield the highest average and on which contributions have been made as required by 19-4-602(1).

(6) "Beneficiary" means a person in receipt of a pension, annuity, retirement allowance, or other benefit provided by the retirement system.

(7) "Creditable service" is that service defined by 19-4-401.

(8) "Earned compensation" means the full compensation, pay, or salary actually paid to a member and reported to the retirement system, including irregular forms of remuneration, such as amounts paid for special duty or under a salary reduction agreement, and amounts paid in kind, such as maintenance. The employer shall fix the value of any compensation paid in kind. The earned compensation of a member who had less than 3 consecutive years of full-time service during the 5 years preceding his retirement is the compensation, pay, or salary which he would have earned had his part-time service been full-time service. The earned

HB 492

INTRODUCED BILL

compensation of a member who is awarded a disability retirement allowance prior to the completion of a full year is the compensation, pay, or salary which he would have received had he completed the full year.

(9) "Employer" means the state of Montana, the trustees of a district, or any other agency or subdivision of the state which employs a person who is designated a member of the retirement system.

(10) "Full-time service" means service which is full-time and which extends over a normal academic year of at least 9 months. With respect to those members employed by the office of the superintendent of public instruction, any other state agency or institution, or the office of a county superintendent, "full-time service" means service which is full-time and which totals at least 9 months in any one year.

(11) "Index" means, for any calendar year, that year's annual average consumer price index for urban wage earners and clerical workers, all items (1957-1959=100) compiled by the bureau of labor statistics, United States department of labor, or a successor agency.

~~(11)~~(12) "Member" means a person who has an individual account in the annuity savings fund. An active member is a person included under the provisions of 19-4-302. An inactive member is a person included under the provisions of

19-4-303.

~~(12)~~(13) "Part-time service" means service which is less than full-time or which totals less than 9 months in any one year. Part-time service shall be credited in the proportion that the actual time worked bears to full-time service.

~~(13)~~(14) "Pension" means the payments made to a beneficiary for life which are paid out of the pension accumulation fund.

~~(14)~~(15) "Pension reserve" means the present value of all payments to be made on account of a pension computed, with regular interest, on the basis of the mortality tables adopted by the retirement board.

~~(15)~~(16) "Prior service" means employment of the same nature as service defined in subsection (20) of this section but rendered before September 1, 1937.

~~(16)~~(17) "Regular interest" means interest at 4% pe annum compounded annually or at such other rate as may be set by the retirement board in accordance with 19-4-501(2).

~~(17)~~(18) "Retirement allowance" means the annuity plus the pension.

~~(18)~~(19) "Retirement board" means the retirement system's governing board provided for in 2-15-1010.

~~(19)~~(20) "Retirement system" means the teachers' retirement system of the state of Montana provided for in

19-4-102.

~~(20)~~(21) "Service" means the performance of such instructional duties or related activities as would entitle the person to active membership in the retirement system under the provisions of 19-4-302."

NEW SECTION. Section 2. Teachers' retirement system allowance increases. (1) On July 1 of each year, every teachers' retirement allowance then payable shall be increased by a percentage equal to the percentage increase in the index for the previous calendar year from the index for the calendar year immediately preceding such previous calendar year.

(2) The legislature shall appropriate sufficient money from the general fund to finance the annual cost-of-living increases provided by subsection (1).

-End-

HB 412

O. Morris

STATE OF MONTANA

Request No. 195-79

FISCAL NOTE

Form BD-15

In compliance with a written request received February 1, 1979 , there is hereby submitted a Fiscal Note for House Bill 492 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 492 will provided an increase in teachers' retirement allowances on July 1 of each year equal to the percentage increase in the consumer price index for the previous calendar year from the index for the calendar year immediately preceding such previous calendar year and providing that the legislature appropriate from the general fund to finance the annual increases.

ASSUMPTIONS:

1. Increase in consumer price index from 1977 to 1978 of 8%.

2. Increase in consumer price index from 1978 to 1979 of 8%.

FISCAL IMPACT:

FY 1980		FY 1981	
Benefits under existing law	$17,057,546	Benefits under existing law	$18,763,300
Benefits under proposed law	18,422,150	Benefits under proposed law	21,738,136
General Fund Appropriation required	1,364,604	General Fund Appropriation required	2,974,836

Richard L. Francy for
BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 2/5/79

House BILL NO. 614

INTRODUCED BY Waldron, Bengtson
Hemstad

A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THE TEACHERS' RETIREMENT SYSTEM BOARD TO CREDIT TO EACH MEMBER'S ACCOUNT THE ACTUAL INTEREST EARNINGS IN THE PREVIOUS FISCAL YEAR MINUS THE REASONABLE COSTS OF ADMINISTRATION; AMENDING SECTION 19-4-101, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 19-4-101, MCA, is amended to read:

"19-4-101. Definitions. As used in this chapter, unless the context clearly indicates otherwise, the following definitions apply:

(1) "Accumulated contributions" means the sum of all the amounts deducted from the compensation of a member or paid by a member and credited to his individual account in the annuity savings fund, together with interest. Regular interest shall be computed and allowed to provide a benefit at the time of retirement.

(2) "Actuarial equivalent" means a benefit of equal value when computed, with regular interest, on the basis of the mortality tables adopted by the retirement board.

(3) "Annuity" means the payments made to a beneficiary for life which are derived from a member's accumulated

contributions.

(4) "Annuity reserve" means the present value of all payments to be made on account of a member's annuity computed, with regular interest, on the basis of the mortality tables adopted by the retirement board.

(5) "Average final compensation" means the average of the earned compensation of a member during the 3 consecutive years of full-time service which yield the highest average and on which contributions have been made as required by 19-4-602(1).

(6) "Beneficiary" means a person in receipt of a pension, annuity, retirement allowance, or other benefit provided by the retirement system.

(7) "Creditable service" is that service defined by 19-4-401.

(8) "Earned compensation" means the full compensation, pay, or salary actually paid to a member and reported to the retirement system, including irregular forms of remuneration, such as amounts paid for special duty or under a salary reduction agreement, and amounts paid in kind, such as maintenance. The employer shall fix the value of any compensation paid in kind. The earned compensation of a member who had less than 3 consecutive years of full-time service during the 5 years preceding his retirement is the compensation, pay, or salary which he would have earned had

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INTRODUCED BILL

his part-time service been full-time service. The earned compensation of a member who is awarded a disability retirement allowance prior to the completion of a full year is the compensation, pay, or salary which he would have received had he completed the full year.

(9) "Employer" means the state of Montana, the trustees of a district, or any other agency or subdivision of the state which employs a person who is designated a member of the retirement system.

(10) "Full-time service" means service which is full-time and which extends over a normal academic year of at least 9 months. With respect to those members employed by the office of the superintendent of public instruction, any other state agency or institution, or the office of a county superintendent, "full-time service" means service which is full-time and which totals at least 9 months in any one year.

(11) "Member" means a person who has an individual account in the annuity savings fund. An active member is a person included under the provisions of 19-4-302. An inactive member is a person included under the provisions of 19-4-303.

(12) "Part-time service" means service which is less than full-time or which totals less than 9 months in any one year. Part-time service shall be credited in the proportion

that the actual time worked bears to full-time service.

(13) "Pension" means the payments made to a beneficiary for life which are paid out of the pension accumulation fund.

(14) "Pension reserve" means the present value of all payments to be made on account of a pension computed, with regular interest, on the basis of the mortality tables adopted by the retirement board.

(15) "Prior service" means employment of the same nature as service defined in subsection (20) of this section but rendered before September 1, 1937.

(16) "Regular interest" means ~~interest-at-4%-per-annum compounded-annually-or-at-such-other-rate-as-may-be--set--by the--retirement--board--in--accordance--with-19-4-501(2)~~ the actual interest earned in the previous fiscal year on an account minus reasonable expenses of administration.

(17) "Retirement allowance" means the annuity plus the pension.

(18) "Retirement board" means the retirement system's governing board provided for in 2-15-1010.

(19) "Retirement system" means the teachers' retirement system of the state of Montana provided for in 19-4-102.

(20) "Service" means the performance of such instructional duties or related activities as would entitle the person to active membership in the retirement system

under the provisions of 19-4-302."

-End-

H B 614

Morris

STATE OF MONTANA

REQUEST NO. 267-79

FISCAL NOTE

Form BD-15

In compliance with a written request received February 7, 19 79, there is hereby submitted a Fiscal Note for H.B. 614 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 614 prescribes the rate of interest credited members' accounts as the actual interest earned in the previous fiscal year minus reasonable expenses of administration.

COMMENTS:

No dollar estimate can be made for H.B. 614. The amount of interest credited does not affect retirement benefits paid. Members withdrawing their contributions upon terminating employment will be paid a higher rate of interest and members purchasing out-of-state service, service while on leave, military service, or repayment of withdrawals will pay a higher rate of interest. The financial impact upon the system will be minimal.

Richard L. [illegible] for
BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 2/9/79

~~House~~ BILL NO. 854

INTRODUCED BY Lindtvedt

A BILL FOR AN ACT ENTITLED: "AN ACT TO AUTHORIZE AN OPTIONAL RETIREMENT PROGRAM FOR ADMINISTRATIVE OFFICERS AND CERTAIN STAFF MEMBERS OF THE MONTANA UNIVERSITY SYSTEM; AMENDING SECTIONS 19-4-208 AND 19-4-302, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Authority to establish optional retirement program. The board of regents may establish an optional retirement program, as provided in [sections 1 through 8], for the administrative officers and members of the instructional and scientific staff of the Montana university system. The program may be an independent plan or a part of a larger plan with respect to some or all of the benefits provided. The benefits under the program shall be provided through insurance policies or annuity contracts, either fixed or variable, or through a combination of such policies and contracts.

NEW SECTION. Section 2. Definition of teachers' retirement system. In [sections 1 through 8], "teachers' retirement system" means the teachers' retirement system of the state of Montana provided for in 19-4-102.

NEW SECTION. Section 3. Participation in program. (1) Administrative officers and members of the instructional and scientific staff of the Montana university system may elect to participate in the optional retirement program instead of the teachers' retirement system. This election must be exercised:

(a) by a person employed prior to July 1, 1979, in such capacity, before January 1, 1980;

(b) by a person initially employed after July 1, 1979, by the Montana university system, within 90 days after entry into service or before January 1, 1980, whichever is later; and

(c) by a person described in subsection (2), within 30 days after he receives written notice from the employing institution that he is eligible or before January 1, 1980, whichever is later.

(2) An employee becomes eligible to participate in the optional retirement program upon the occurrence of the following:

(a) the certification of the position held by him as a position of an administrative officer or member of the instructional or scientific staff; or

(b) his appointment, promotion, transfer, or reclassification to a position previously so certified.

(3) The election must be exercised by filing a written notice thereof with the teachers' retirement system and the

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disbursing officer of the employing institution. The election is effective as of the date notice thereof is filed with the teachers' retirement system or January 1, 1980, whichever is later.

(4) If an eligible officer or staff member fails to exercise his election as provided in this section, he must be a member of the teachers' retirement system.

(5) An election under this section is not effective unless the notice thereof filed with the disbursing officer of the employing institution is accompanied by an appropriate application, if one is required, for the issuance of a contract or contracts under the program.

NEW SECTION. Section 4. Effect on rights under teachers' retirement system. (1) An election under [section 3] to participate in the optional retirement program is a waiver of all rights and benefits under the teachers' retirement system except as provided in this section.

(2) A person who is a member of the teachers' retirement system when he makes the election is considered, for the purpose of determining his eligibility for rights and benefits under that system, to be no longer employed in a capacity that allows his membership in that system as of the effective date of his election. However, if he does not withdraw his accumulated contributions, his continued service with a unit of the Montana university system is

considered creditable service in the teachers' retirement system for the purpose of determining his eligibility for a retirement allowance under that system or a death benefit under subsection (1) or (2) of 19-4-1001 that is dependent on a specified number of years of creditable service, attainment of a specified age while in service, or death while in service. The amount of such an allowance or benefit shall be computed solely on the basis of service otherwise creditable to him and his compensation during service that is otherwise creditable.

(3) A person who elects to participate in the optional retirement program is ineligible to be an active member of the teachers' retirement system as long as he remains continuously employed in any position by a unit of the Montana university system.

NEW SECTION. Section 5. Duties of board of regents. The board of regents shall:

(1) provide for the administration of the program;

(2) designate the plan from which policies and contracts are to be purchased and approve the form and content of the policies and contracts, taking into consideration:

(a) the nature and extent of the rights and benefits to be provided by the policies and contracts for participants and their beneficiaries;

(b) the relation of such rights and benefits to the amount of contributions to be made;

(c) the suitability of such rights and benefits to the needs of the participants and the interests of the Montana university system in the recruitment and retention of administrative officers and members of the instructional and scientific staff; and

(d) the ability of the designated plan to provide such rights and benefits.

NEW SECTION. Section 6. Contributions. The board of regents shall contribute on behalf of each participant in the optional retirement program an amount equal to the employer contribution required under the teachers' retirement system. Each participant shall contribute an amount equal to the employee contribution required under the teachers' retirement system, and the disbursing officer of the employing institution shall deduct that amount from the compensation of the participant. The disbursing officer shall pay both the regents' and the participant's contributions to the designated plan for the benefit of the participant.

NEW SECTION. Section 7. Payment of benefits. No retirement, death, or other benefit may be paid by the state or the board of regents under the optional retirement program. Benefits are payable to participating employees and

their beneficiaries only by the designated plan in accordance with the terms of the policies and contracts.

NEW SECTION. Section 8. Exemption from taxation and legal process. All benefits and contributions under the optional retirement program and the earnings thereon are exempt from any state, county, or municipal tax; are not subject to execution, garnishment, attachment, or any other process; and are unassignable except as specifically provided in the policies and contracts.

Section 9. Section 19-4-208, MCA, is amended to read:

"19-4-208. Duties of employer. Each employer shall:

(1) deduct the contribution of each member employed by him at the rate prescribed by 19-4-602 from each salary payment for each payroll period and transmit the contribution each month to the secretary of the retirement board;

(2) pay to the secretary of the retirement board the employer's contribution prescribed by 19-4-605, at the time that the employee contributions are transmitted to the secretary;

(3) keep records and, as required by the retirement board, furnish information to the board that is required in the discharge of the board's duties;

(4) upon the employment of a person who is required to become a member of the retirement system, inform him of his

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rights and obligations relating to the retirement system;

(5) whenever applicable, inform an employee of his right to elect to participate in the optional retirement program under [sections 1 through 8];

~~(5)~~(6) at the request of the retirement board, certify the names of all persons who are eligible for membership or who are members of the retirement system; and

~~(6)~~(7) notify the retirement board of the employment of a person eligible for membership and forward his membership application to the board."

Section 10. Section 19-4-302, MCA, is amended to read:

"19-4-302. Active membership. (1) Unless otherwise provided by this chapter, the following persons must be active members of the retirement system, with the exception that those persons who became eligible for membership on September 1, 1937, or on September 1, 1939, and who elected not to become members under the provisions of the law at that time are not required to be members:

(a) any person who is a teacher, principal, or district superintendent as defined in 20-1-101;

(b) any person who is an administrative officer or a member of the instructional or scientific staff of a unit of the Montana university system and who has not elected to participate in the optional retirement program under [sections 1 through 8], except as provided in 19-4-305;

(c) any person employed in an instructional services capacity by the office of the superintendent of public instruction, the office of a county superintendent, a public institution of the state of Montana, the Montana state school for the deaf and blind, or a school district;

(d) any person who has elected not to become a member of the retirement system and is reentering service in a capacity prescribed by (a), (b), or (c) of subsection (1);

(e) any person who has elected not to become a member of the retirement system, who has been continuously employed in a capacity prescribed by (a), (b), or (c) of subsection (1) since the time of such election, and who may thereafter elect to become a member of the retirement system.

(2) In order to be eligible for active membership, any person described in subsection (1) must:

(a) be employed in the capacity prescribed for his eligibility for at least 30 days in any fiscal year; and

(b) have the compensation for his creditable service totally paid by an employer as defined herein.

(3) At any time a person's eligibility to become a member of the retirement system is in doubt, the retirement board shall determine his eligibility for membership. All persons in similar circumstances shall be treated alike."

-End-

HOUSE JOINT RESOLUTION NO. 40

INTRODUCED BY HOLMES, VINCENT, METCALF, PALMER,
BERTELSEN, SCHULTZ, BENGTSON

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING THE LEGISLATIVE COMMITTEE ON PRIORITIES TO APPOINT AN APPROPRIATE STANDING COMMITTEE TO CONDUCT AN INTERIM STUDY ~~ON~~ OF POSSIBLE CONSOLIDATION, FUNDING ALTERNATIVES, AND THE EFFECTS OF INFLATION ON STATE RETIREMENT SYSTEMS.

WHEREAS, all Montanans have the right to a decent standard of living; and

WHEREAS, older Montanans who have given their state many years of dedicated service deserve a retirement that assures dignity and a decent standard of living; and

WHEREAS, Montana families in which the head of the household is over 65 years of age have 37% less purchasing power than the general population; and

WHEREAS, Montanans over 65 years of age who live alone have 72% less purchasing power than the general population; and

WHEREAS, inflation has seriously eroded the purchasing power of retired public employees and has hit retired teachers especially hard; and

---

WHEREAS, to be effective and equitable, a public retirement system must make adjustments for inflationary forces.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the Legislative Committee on Priorities is requested to appoint an appropriate standing committee to conduct an interim study and present recommendations and proposed legislation to the 47th Legislature concerning the effects of inflation on public retirement systems and especially the Teachers' Retirement System. The study committee shall present proposed changes to current statutes that would promote efficiency, effectiveness, STABILITY, and fairness in public retirement systems.

-End-

THIRD READING

House BILL NO. 781

INTRODUCED BY Holmes, Bengtson Lund Lory
Metcalf, Lowe Regan

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE AN INCREASE IN RETIREMENT ALLOWANCES FOR CERTAIN TEACHERS; AMENDING SECTION 19-4-707, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 19-4-707, MCA, is amended to read:

"19-4-707. Increase in allowances of certain retirees. (1) On July 1, 1977, every beneficiary receiving a retirement allowance who was receiving such allowance prior to July 1, 1971, will be entitled to an increase in his monthly retirement allowance of $1 per month for each year of creditable service plus $2 per month for each year he was retired prior to July 1, 1971. In the case of beneficiaries who are receiving an early retirement allowance, the latter figure of $2 per month shall be multiplied by a fraction, the numerator of which is the number of years of his creditable service and the denominator of which is 30.

(2) The funds to pay for the increases in retirement allowances prescribed in subsection (1) shall be provided as follows:

(a) one-half from an increase, sufficient for the purpose, in the payroll deduction provided for in

19-4-602(1); and

(b) one-half from an increase, sufficient for the purpose, in the employer's contribution provided for in 19-4-605(1).

(3) On July 1, 1979, every beneficiary receiving a retirement allowance who was receiving such allowance prior to July 1, 1979, will be entitled to an increase in his monthly retirement allowance of 50 cents per month for each year of creditable service not to exceed $15 a month.

(4) The funds to pay for the increases in retirement allowances prescribed in subsection (3) shall be provided by an annual legislative appropriation from the general fund sufficient for the purpose."

-End-

HB 781

INTRODUCED BILL

House BILL NO. 854

INTRODUCED BY Lindtvedt

A BILL FOR AN ACT ENTITLED: "AN ACT TO AUTHORIZE AN OPTIONAL RETIREMENT PROGRAM FOR ADMINISTRATIVE OFFICERS AND CERTAIN STAFF MEMBERS OF THE MONTANA UNIVERSITY SYSTEM; AMENDING SECTIONS 19-4-208 AND 19-4-302, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Authority to establish optional retirement program. The board of regents may establish an optional retirement program, as provided in [sections 1 through 8], for the administrative officers and members of the instructional and scientific staff of the Montana university system. The program may be an independent plan or a part of a larger plan with respect to some or all of the benefits provided. The benefits under the program shall be provided through insurance policies or annuity contracts, either fixed or variable, or through a combination of such policies and contracts.

NEW SECTION. Section 2. Definition of teachers' retirement system. In [sections 1 through 8], "teachers' retirement system" means the teachers' retirement system of the state of Montana provided for in 19-4-102.

NEW SECTION. Section 3. Participation in program. (1) Administrative officers and members of the instructional and scientific staff of the Montana university system may elect to participate in the optional retirement program instead of the teachers' retirement system. This election must be exercised:

(a) by a person employed prior to July 1, 1979, in such capacity, before January 1, 1980;

(b) by a person initially employed after July 1, 1979, by the Montana university system, within 90 days after entry into service or before January 1, 1980, whichever is later; and

(c) by a person described in subsection (2), within 30 days after he receives written notice from the employing institution that he is eligible or before January 1, 1980, whichever is later.

(2) An employee becomes eligible to participate in the optional retirement program upon the occurrence of the following:

(a) the certification of the position held by him as a position of an administrative officer or member of the instructional or scientific staff; or

(b) his appointment, promotion, transfer, or reclassification to a position previously so certified.

(3) The election must be exercised by filing a written notice thereof with the teachers' retirement system and the

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disbursing officer of the employing institution. The election is effective as of the date notice thereof is filed with the teachers' retirement system or January 1, 1980, whichever is later.

(4) If an eligible officer or staff member fails to exercise his election as provided in this section, he must be a member of the teachers' retirement system.

(5) An election under this section is not effective unless the notice thereof filed with the disbursing officer of the employing institution is accompanied by an appropriate application, if one is required, for the issuance of a contract or contracts under the program.

NEW SECTION. Section 4. Effect on rights under teachers' retirement system. (1) An election under [section 3] to participate in the optional retirement program is a waiver of all rights and benefits under the teachers' retirement system except as provided in this section.

(2) A person who is a member of the teachers' retirement system when he makes the election is considered, for the purpose of determining his eligibility for rights and benefits under that system, to be no longer employed in a capacity that allows his membership in that system as of the effective date of his election. However, if he does not withdraw his accumulated contributions, his continued service with a unit of the Montana university system is

considered creditable service in the teachers' retirement system for the purpose of determining his eligibility for a retirement allowance under that system or a death benefit under subsection (1) or (2) of 19-4-1001 that is dependent on a specified number of years of creditable service, attainment of a specified age while in service, or death while in service. The amount of such an allowance or benefit shall be computed solely on the basis of service otherwise creditable to him and his compensation during service that is otherwise creditable.

(3) A person who elects to participate in the optional retirement program is ineligible to be an active member of the teachers' retirement system as long as he remains continuously employed in any position by a unit of the Montana university system.

NEW SECTION. Section 5. Duties of board of regents. The board of regents shall:

(1) provide for the administration of the program;

(2) designate the plan from which policies and contracts are to be purchased and approve the form and content of the policies and contracts, taking into consideration:

(a) the nature and extent of the rights and benefits to be provided by the policies and contracts for participants and their beneficiaries;

(b) the relation of such rights and benefits to the amount of contributions to be made;

(c) the suitability of such rights and benefits to the needs of the participants and the interests of the Montana university system in the recruitment and retention of administrative officers and members of the instructional and scientific staff; and

(d) the ability of the designated plan to provide such rights and benefits.

NEW SECTION. Section 6. Contributions. The board of regents shall contribute on behalf of each participant in the optional retirement program an amount equal to the employer contribution required under the teachers' retirement system. Each participant shall contribute an amount equal to the employee contribution required under the teachers' retirement system, and the disbursing officer of the employing institution shall deduct that amount from the compensation of the participant. The disbursing officer shall pay both the regents' and the participant's contributions to the designated plan for the benefit of the participant.

NEW SECTION. Section 7. Payment of benefits. No retirement, death, or other benefit may be paid by the state or the board of regents under the optional retirement program. Benefits are payable to participating employees and

their beneficiaries only by the designated plan in accordance with the terms of the policies and contracts.

NEW SECTION. Section 8. Exemption from taxation and legal process. All benefits and contributions under the optional retirement program and the earnings thereon are exempt from any state, county, or municipal tax; are not subject to execution, garnishment, attachment, or any other process; and are unassignable except as specifically provided in the policies and contracts.

Section 9. Section 19-4-208, MCA, is amended to read:

"19-4-208. Duties of employer. Each employer shall:

(1) deduct the contribution of each member employed by him at the rate prescribed by 19-4-602 from each salary payment for each payroll period and transmit the contribution each month to the secretary of the retirement board;

(2) pay to the secretary of the retirement board the employer's contribution prescribed by 19-4-605, at the time that the employee contributions are transmitted to the secretary;

(3) keep records and, as required by the retirement board, furnish information to the board that is required in the discharge of the board's duties;

(4) upon the employment of a person who is required to become a member of the retirement system, inform him of his

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rights and obligations relating to the retirement system;

(5) whenever applicable, inform an employee of his right to elect to participate in the optional retirement program under [sections 1 through 8];

~~(5)~~(6) at the request of the retirement board, certify the names of all persons who are eligible for membership or who are members of the retirement system; and

~~(6)~~(7) notify the retirement board of the employment of a person eligible for membership and forward his membership application to the board."

Section 10. Section 19-4-302, MCA, is amended to read:

"19-4-302. Active membership. (1) Unless otherwise provided by this chapter, the following persons must be active members of the retirement system, with the exception that those persons who became eligible for membership on September 1, 1937, or on September 1, 1939, and who elected not to become members under the provisions of the law at that time are not required to be members:

(a) any person who is a teacher, principal, or district superintendent as defined in 20-1-101;

(b) any person who is an administrative officer or a member of the instructional or scientific staff of a unit of the Montana university system and who has not elected to participate in the optional retirement program under [sections 1 through 8], except as provided in 19-4-305;

(c) any person employed in an instructional services capacity by the office of the superintendent of public instruction, the office of a county superintendent, a public institution of the state of Montana, the Montana state school for the deaf and blind, or a school district;

(d) any person who has elected not to become a member of the retirement system and is reentering service in a capacity prescribed by (a), (b), or (c) of subsection (1);

(e) any person who has elected not to become a member of the retirement system, who has been continuously employed in a capacity prescribed by (a), (b), or (c) of subsection (1) since the time of such election, and who may thereafter elect to become a member of the retirement system.

(2) In order to be eligible for active membership, any person described in subsection (1) must:

(a) be employed in the capacity prescribed for his eligibility for at least 30 days in any fiscal year; and

(b) have the compensation for his creditable service totally paid by an employer as defined herein.

(3) At any time a person's eligibility to become a member of the retirement system is in doubt, the retirement board shall determine his eligibility for membership. All persons in similar circumstances shall be treated alike."

-End-

TEACHERS RETIREMENT BOARD

APRIL 25, 1979

The April 25, 1979 meeting of the Teachers' Retirement Board was called to order at 10:00 A.M. by the Chairman with the following present:

James E. Burke, Chairman
LeRoy Corbin
J. William Kearns, Jr.
Dr. George Gloege
Dr. Harold Wenaas
Georgia Rice
Owen L. Morris, Jr., Executive Secretary
F. Robert Johnson, Assistant Executive Secretary

A report on the National Conference on Public Employee Retirement Systems was given by the Assistant Executive Secretary and Mr. Kearns. A discussion ensued on the effects of Proposition 13 on state retirement systems. Mandatory social security coverage and the effects this possibility would have on retirement systems which are not presently covered was also discussed.

After a motion by Mrs. Rice, which was seconded by Dr. Gloege, the minutes of the meeting held December 6, 1978 were approved.

The minutes of the meeting of December 15, 1978 were approved upon a motion by Dr. Wenaas which was seconded by Dr. Gloege and approved by the Board.

Dr. Wenaas then moved that the minutes of the special legislative meeting held January 11, 1979 be approved as read. This motion was seconded by Mr. Corbin and approved.

Mrs. Rice asked the progress of the Legislative Audit and was told by the Executive Secretary that the preliminary report could be expected sithin four to six weeks. She then expressed her wish to be informed of the date and time of the exit interview so that she, and other members of the Board, could be present.

After thorough review financial, mortgage and budget reports were ordered placed on file for future reference by the Chairman.

The Executive Secretary then advised the Board that he had received correspondence from Representative Menahan, the chief sponsor of House Bill 491, relative to the legislative intent of the bill. Representative Menahan indicated that his intent when sponsoring this legislation was that it would not apply to teachers presently members of the System.

A discussion regarding the provisions of House Bill 491 ensued, after which Dr. Wenaas moved that HB491 be implemented to apply only to those members of the Montana Teachers Retirement System on or after July 1, 1979. The motion was seconded by Mrs. Rice and approved by the Board.

The Executive Secretary then requested information from the Board with regard to the full time equivalent for kindergarten teachers. He explained that a kindergarten teacher, teaching half time, and receiving half salary, would subsequently receive one-quarter of the normal benefit, which he and the Assistant Executive Secretary felt inequitable. After discussing the issue it was determined that a kindergarten teacher would be considered half time, however, would use the salary he or she would have earned had they been employed full time.

Mr. Kearns expressed his continuing concern with the increases in retirement benefits due to the use of severance pay, unused sick leave pay and stipends in the calculation of retirement benefits. Indicating he felt the practice of allowing retiring teachers this kind of benefit was becoming widespread, Mr. Kearns again questioned the effect of this practice on the System. A lengthy discussion followed during which the Board expressed its desire to have the effect of the use of severance pay in the calculation of the final average salary included in the valuation study of the System. It was also requested that this issue again be brought before the Board for discussion at the next meeting.

The annual earnings statement filed by Robert E. Singer, a disability retiree, was reviewed by the Board. Mr. Singer, although previously warned of the amount he was allowed to earn as a disability retiree, had again earned in excess of the amount allowable. A motion was made by Mr. Kearns to reduce the amount of Mr. Singer's disability benefit by the amount which exceeded the allowable earnings. The motion was seconded by Dr. Gloege and approved by the Board.

The following applications for retirement and survivor benefits were approved upon a motion by Mr. Kearns, which was seconded by Mrs. Rice. The Board concurred.

DECEMBER 1978 - RETIREMENT APPLICATIONS	AMOUNT	AGE
Caton, Miriam	406.13	65
Shanley, Jerry J.	506.80	62
JANUARY 1979 - RETIREMENT APPLICATIONS		
Bradshaw, Grovanna P.	526.46	65
Cramer, Robert G.	125.09	55
Grosshuesch, Vernon H.	1,184.17	66
Harvey, Gladys	753.12	70
Losinski, Jenny W.	474.22	62
Miller, Alice L.	444.62	62
Moudree, Shirley M.	75.28	55
Murphy, Margaret C.	417.26	67
Riley, Lucille	651.40	64
Rustad, Evelyn	463.12	60
Schillreff, Fern E.	452.50	59
Simmons, Dorothy	699.43	60
Sullivan, Robert	1,581.54	62
Vezey, June	410.24	64
JANUARY 1979 - SURVIVOR BENEFITS		
Whalen, Gladys (s) Robert Whalen	659.46	56
FEBRUARY 1979 - RETIREMENT APPLICATIONS		
Barlow, Earl	1,369.14	52
Johnson, Bruce D.	1,007.48	52
Krumsick, Roma M.	576.59	66
Vermulm, Carolina R.	113.20	60
Wigley, Joseph A.	50.75	66
FEBRUARY 1979 - SURVIVOR BENEFITS		
Anderson, Alma C.	100.00	74
MARCH 1979 - RETIREMENT APPLICATIONS		
Clydesdale, Lucille	518.32	55
Hutton, Luther	927.58	59
Kampen, Gudrun	113.46	55
Lodmell, Irene A.	327.92	68
White, Howard G.	133.95	55

APRIL 1979 - RETIREMENT APPLICATIONS

Brew, Rose Marie	89.39	60
Coffman, Laura	243.09	55
DeLong, Avis B.	202.36	60
Honkala, Fred S.	311.14	55
Kjos, Oscar	176.65	60

APRIL 1979 - SURVIVOR BENEFITS

Cloke, Connie K. (s) Stanley Cloke-active	129.52	32
Peters, Alberta (s) Howard J. Peters-ret.	239.26	72
Weiser, Almeda E. (s) Earl Weiser -ret.	232.88	69

Applications for disability retirement were next reviewed by the Board. After thorough discussion, the disability application submitted by Sharon Booth was approved with reservation, and the Executive Secretary was instructed that this application again be reviewed in December of 1979. The motion to approve Miss Booth's application was made by Mr. Kearns and seconded by Mr. Corbin.

The application for disability benefits for Richard Norick was approved upon a motion by Dr. Wenaas and seconded by Mr. Kearns.

A motion by Dr. Gloege, seconded by Mrs. Rice, was made to approve the disability application submitted by Donald Strouf.

The application for disability benefits for Diane Wilhelm was denied on the basis of insufficient evidence of permanent disability upon a motion by Dr. Gloege, seconded by Dr. Wenaas.

Upon a motion by Dr. Wenaas, seconded by Mr. Kearns, the disability application for Audrey Gibson was approved.

Dr. Wenaas moved, seconded by Mrs. Rice, that the application for disability retirement benefits for Allen Porter be denied on the basis of insufficient evidence of disability.

A motion was made by Dr. Gloege and seconded by Mr. Kearns that the meeting be adjourned.

James E Burke

James E. Burke, Chairman

Owen L Morris Jr

Owen L. Morris, Jr., Executive Secretary

TEACHERS RETIREMENT BOARD

SPECIAL MEETING

JULY 25, 1979

On July 25, 1979 a special meeting of the Teachers' Retirement Board was called to order at 10:10 A.M. by the Chairman. Those present were:

James E. Burke, Chairman
George Gloege
Harold Wenaas
J. William Kearns, Jr.
Owen L. Morris, Jr., Executive Secretary
F. Robert Johnson, Assistant Executive Secretary

Mr. Alve Thomas of the Office of Public Instruction was in attendance, in the absence of Georgia Rice who was unable to attend.

The minutes of the meeting held April 25, 1979 were approved upon a motion by Dr. Wenaas, which was seconded by Mr. Kearns and approved by the board.

The Chairman inquired about two items of business which were not included on the agenda as the minutes of the previous meeting indicated they would be. The Executive Secretary stated that since this was a special meeting the items in question had not been included as part of the business of the meeting, and assured the Chairman the Sharon Booth disability review and the severance pay issue would be included as part of the business of the next regularly scheduled meeting.

After thorough review the financial, budget, investment and mortgage reports were ordered placed on file for future reference by the Chairman. The board was advised that the mortgage report submitted for review was not as complete as those in the past due to the present computer conversion effort but that future reports would be more informational and accurate, and a complete report would be submitted at the next regularly scheduled meeting.

Under new business, Chairman Burke announced the receipt of the resignation of the Executive Secretary. After discussion, the board accepted the resignation with regrets upon a motion by Dr. Gloege which was seconded by Mr. Kearns.

The first concern of the board was that the position of Executive Secretary be filled during that period of time the position was being advertised for applications. After lengthy discussion regarding the legalities and implications of filling the position, a motion was made by Dr. Wenaas and seconded by Mr. Kearns to promote the Assistant Executive Secretary to the position of Executive Secretary on a temporary basis, or for 90 days, until the position could be filled by the board. The motion also provided that Mr. Johnson would be paid the salary of the present Executive Secretary, and the maximum allowable under the provisions of the State Pay Plan, with the appointment being effective August 1, 1979.

A discussion ensued regarding the procedures for advertising the position of Executive Secretary for applications. The board was advised that the position would be advertised by the Personnel Department for the Department of Administration and all applications received would be submitted to the board for review.

A motion was made by Dr. Wenaas instructing the Executive Secretary to request that the Personnel Department advertise the position of Executive Secretary of the Teachers Retirement System. The motion provided that the position be advertised in the 6 largest daily newspapers in the state, with a cutoff date for receipt of applications being the 14th day of August. The motion was seconded by Dr. Gloege and approved. The board then discussed standards for those qualifications which were felt to be necessary to hold the position of Executive Secretary, and determined to meet the evening of August 16, 1979 to review applications received prior to the special board meeting scheduled for August 17.

The next item of business was the reorganization of the board. For the purpose of continuity it was decided that the board would be reorganized after the selection of a new Executive Secretary, probably in October or November.

Delegates to the National Council on Teacher Retirement, to be held in Florida September 23-27, 1979 were next considered. A motion was made by Mr. Kearns, seconded by Dr. Gloege, to send the new Acting Executive Secretary and Mr. Corbin to the conference. Dr. Wenaas was authorized to attend as an alternate in the event Mr. Corbin was unable to attend.

A discussion ensued regarding HJR 40 and the consolidation of the retirement systems effort. It was the consensus of the board that any elected representatives to the legislature, or those running for office, should be contacted relative to their feelings on this issue. The board also felt that any contacts with teacher organizations should be used to inform teachers of the consolidation effort.

The board next discussed the upcoming exit interview with the Legislative Auditor for the biennial audit, and again expressed a desire to be present at the interview.

A motion by Mr. Keanrs and seconded by Dr. Gloege resulted in approval of applications for retirement and survivor benefits submitted for approval. The motion was carried.

The application for disability benefits for Annabelle Anderson was approved upon a motion by Mr. Kearns which was seconded by Dr. Gloege. Disability benefits for Richard Landis were approved after a motion by Dr. Wenaas, seconded by Dr. Gloege.

The meeting was adjourned after a motion by Mr. Kearns which was seconded by Dr. Gloege and approved by the board.

James E Burke

James E. Burke
Chairman

F Robert Johnson

F. Robert Johnson
Acting Executive Secretary

TEACHERS RETIREMENT BOARD

JULY 25, 1979

APPLICATIONS FOR RETIREMENT BENEFITS AND SURVIVOR BENEFITS SUBMITTED FOR APPROVAL.

APRIL 1979 - RETIREMENT APPLICATIONS	AMOUNT	AGE
Christiansen, Roger W.	121.99	60
Forester, Richard L.	125.48	55
Magnuson, Arthur M.	80.92	56
APRIL 1979 - SURVIVOR BENEFITS		
Malia, Norma R. (s) John J. Malia	946.79	49
McFadden, Irene R. (s) Ralph McFadden	566.14	70
Sunwall, Aril (s) Inger Sunwall	124.45	62
MAY 1979 - RETIREMENT APPLICATIONS		
Johnson, H. Genevieve	89.85	60
Posey, Robert W.	121.69	60
JUNE 1979 - RETIREMENT APPLICATIONS		
Bartholow, Wanda M.	114.40	60
Branson, Farrel A.	75.52	60
Bruschwein, Edna A.	324.25	57
Buck, Sheila C.	178.95	55
Grayson, Stan L.	86.06	60
Markell, Lloyd A.	71.23	57
Midge, Lester O.	160.56	60
Murray, Joseph	735.62	63
Winkley, Frank C.	127.26	62
JUNE 1979 - SURVIVOR BENEFITS		
Bennett, Edna J. (s) Raymond Bennett	478.88	49

JULY 1979-RETIREMENT APPLICATIONS	AMOUNT	AGE
Albertson, Marie	586.04	60
Arthun, Kathryn L.	499.84	64
Ashley, Dorothy F.	266.12	65
Baker, William L.	1,015.30	56
Bandy, George R.	1,265.21	53
Barnaby, Ralph R.	641.91	62
Blakeley, Ora Jean	543.49	59
Bigej, B. Bethine	938.63	57
Bond, Edna M.	613.18	62
Brammer, Clarence	59.84	55
Brandvold, Anna Mae	977.83	62
Briggeman, Donald W.	932.90	55
Briggs, Ellen	406.69	60
Brogan, Bette Jane	997.42	60
Carey, James H.	1,197.29	53
Carroll, Bernice L.	446.34	64
Chestnut, Alena M.	976.14	65
Clark, Gladys R,	526.39	64
Collier, Dolores J.	323.09	66
Cordray, Elizabeth	765.24	58
Cornish, John M.	668.98	56
Criswell, Ivy	310.84	63
Dale, Alice A.	365.53	61
Damm, Rosalie M.	494.80	65
Dannis, Anne M.	778.08	62
Davidson, Arthur G.	1,295.86	66
DeGroot, A. William	806.85	59
Dickman, Frieda A.	410.45	63
Diegel, Elizabeth C.	905.53	60
Dodge, Orville N.	1,064.29	59
Doll, Agnes	380.20	63
Doney, Mildred	714.14	58
Duden, Helen E.	1,050.14	58
Duecker, James F.	931.74	62
Dunn, Ronald G.	755.26	54
Easton, Mable	760.92	60
Elliott, William S.	882.50	52
Ellingsen, Lloyd B.	1,028.85	59
Feldman, Lois E.	594.11	61
Finlayson, Angeline	1,088.28	64
Fisher, Nellie R.	337.75	62
Flynn, Roland	1,664.85	63
Freebourn, Mary Jane	401.83	64
Gebhart, Marion S.	388.30	65
Gram, Mary Jane	446.00	60
Gram, Oscar E.	221.29	64
Hall, Caroline M.	577.05	62

Hall, Jane B.	411.95	61
Hammer, Robert J.	638.38	57
Hammond, Howard W.	1,028.55	62
Hanson, Bernard T.	1,201.31	60
Hanson, Jayne A.	493.36	60
Hanson, Virginia M.	687.78	63
Higgins, Janet	960.48	63
Hillard, Phyllis B.	731.10	62
Hodgson, Leah	621.57	63
Hoem, Evelyn E.	805.83	61
Hoggatt, Daniel S.	1,027.27	63
Holbert, Ruth G.	480.10	63
Holmberg, Edwin W.	636.01	60
Hubber, Roy A.	748.37	55
Huber, Emelia R.	668.26	53
Humes, Mary E.	504.97	63
Hunter, May	577.79	65
Hutton, Sue C.	882.59	58
Irle, Francis R.	444.07	64
Isaacson, Carl I.	1,296.90	59
Johnson, Letitia K.	1,003.71	64
Jun, Ludvik H,	1,216.31	60
Kailey, Vernon R.	1,302.12	62
Kalitowski, Genevieve D.	627.86	64
Kiely, Edward J.	1,215.07	61
Kirley, Leona I.	755.44	64
Klockler, Alberta M.	880.76	63
Konizeski, Richard L.	686.92	62
Lackman, John	1,461.77	55
Lafond, Mildred S.	335.02	63
Landsverk, Kenneth W.	1,020.42	51
Lange, Robert W.	929.51	63
Langemo, N. T.	1,180.24	56
Larson. Leonard H.	838.52	57
Lawrence, Mary C.	432.19	65
Lay, Betty P.	568.72	64
Lazetick, William	1,032.80	63
Leighton, Elizabeth	448.45	64
Lemm, Jeanne M.	320.78	62
Lodge, Joyce L.	424.22	61
Luoma, Evelyn K.	636.87	60
McGarry, Helen T.	660.47	65
McHugh, Helga M.	281.37	68
Mecham, Carl D.	563.33	60
Mikkelsen, Ralph W.	731.59	61
Mittendorf, Helen J.	94.13	60
Metcalf, Homer N.	1,337.43	62
Monroe, Kenneth E.	973.57	62
Mosier, Irene	903.01	59
Munson, Garfield	995.73	57
Murray, Joseph	735.62	63

Newby, Thelma D.	398.47	62
Nowell. L. Gene	873.59	60
Paisley, Bernice E.	514.71	61
Payne, Gene F.	1,088.25	65
Peirce, Loran J.	856.06	58
Petersen, James T.	1,415.62	60
Peterson, Dorothy Ann	252.90	65
Perry, Margaret E.	644.47	63
Polston, Robert M.	674.94	59
Powell, Ward H.	1,172.32	62
Puckett, Ruby	539.93	66
Purdy, Ray	929.23	61
Putzker, Juanita H.	363.75	60
Racicot, Robert	84.35	60
Redding, Robert A.	972.25	53
Reinart, Margaret E.	873.01	60
Reynolds, Florence	997.90	55
Rhoades, George W.	709.64	53
Rhodes, Paul A.	620.87	55
Richardson, Nellie	695.97	59
Riese, Vera E.	577.97	65
Rollins, Theodore M.	944.46	54
Rookhuizen, Barbara	757.99	58
Rose, Donald W.	461.41	55
Ross, Marjory L.	566.37	61
Roys, Perry F.	1,292.65	57
Ruegamer, Elizabeth	298.10	63
Sarrazin, Margaret J.	710.13	63
Schroeder, Leo L.	1,226.12	59
Schye, Mary J.	633.22	68
Scully, John F.	1,017.48	62
Shaw, Thelma	461.89	63
Shook, Vivian R.	103.04	63
Siblerud, Kathryn T.	501.74	59
Sisson, Margaret	426.09	62
Skinner, Selma	464.76	58
Smeltzer, Elizabeth	621.28	54
Snow, Roger W. Jr.	802.66	61
Stablein, Charles A.	846.49	62
Stark, Rose M.	923.79	58
Stoner, William G.	1,169.23	59
Sutherland, Rex	715.62	66
Swenson, John W.	1,260.31	59
Thibodeau, Gwendolyn	494.84	65
Theisen, Donald F.	627.84	56
Torgerson, Dorothy H.	323.43	60
Torgerson, Harry W.	957.97	60
Troutman, Agnes	1,206.23	62
Tvaruzek, Jennie	896.05	63

Van Winkle, Jeanne	512.60	60
Vegge, Nellie	678.67	62
Voiles, Howard	1,158.13	51
Vojnovich, Dushan	298.05	65
Vojnovich, Margaret	145.66	63
Weaver, Donald K., Jr.	1,281.75	55
Weir, James L.	1,403.18	62
Weisel, George F., Jr.	1,165.68	64
Welton, Rex M.	920.31	62
Wenger, John J.	822.40	54
Wessel, David	1,072.14	57
Westcott, Robert A.	604.67	56
Wickes, Melba R.	281.50	65
Will, Esther	676.18	62
Wold, Woodrow W.	1,099.88	55
Woodward, Sigrid	955.22	63
Zeller, Inez A.	567.78	61
Zundel, Harold E.	197.62	55

TEACHERS RETIREMENT BOARD

SPECIAL MEETING

AUGUST 17, 1979

A special meeting of the Teachers' Retirement Board was called to order by the Chairman on August 17, 1979 at 9:15 A.M. Those present were:

James E. Burke, Chairman
J. William Kearns, Jr.
Dr. George Gloege
LeRoy Corbin
Dr. Harold Wenaas
Georgia Rice
F. Robert Johnson, Acting Executive Secretary

The minutes of the July 25, 1979 meeting were approved upon a notion by Mr. Kearns which was seconded by Dr. Wenaas and approved by the Board.

Under old business the Board discussed the fact that the Legislative Auditor's Exit Interview would be held on Tuesday, August 21, 1979 at 9:00 A.M. After some consideration it was decided that Mr. Kearns and Mr. Corbin would be present at the Exit Interview. Suggestions by the Board relative to the audit recommendations were given the Acting Executive Secretary and discussion ensued regarding the Board's feelings on some of these recommendations. The Acting Executive Secretary presented the Board with a written statement which he had prepared in answer to the audit consideration regarding the effectiveness of the administration of the Teachers' Retirement System as opposed to that of PERD.

The Acting Executive Secretary also explained to the Board that the method of calculating refunds had been changed to assist in preventing refund errors. He noted that the majority of the errors were a result of the fact that the postings were not up to date which required manual calculation. He also stated that he had taken exception to the audit statement that excessive benefit errors were made, noting that three errors in benefit calculation over a six year period were pointed out.

The Board then discussed the fact that the consolidation of the Teachers' Retirement System and the Public Employees Retirement System is against the will of the Montana teachers, who take a very personal pride in their retirement system. It was noted that the fight against this type of action would be a fight to the very end.

The Acting Executive Secretary pointed out to the Board that any recommendation for consolidation of the two systems would probably come out of the committee on HJR 40. The Board then requested that the members of the committee on HJR 40 be included as part of the minutes of this meeting. Committee members on HJR 40 are as follows.

SENATORS

Gary C. Aklestad, Shelby
William F. Hafferman, Libby
Tom Hager, Billings
Lawrence Stimatz, Butte

REPRESENTATIVES

William (Red) Menahan, Anaconda, teacher
Howard Porter, Billings
James Schultz, Lewistown, retired teacher
John Vincent, Bozeman, teacher

The members of the Board decided to contact individually the members on the committee regarding the consolidation effort. It was also decided that any groups with whom the members of the Board come in contact should be made aware of the possibility of a consolidation move.

The Acting Administrator explained that the committee on HJR 40 was initially to study inflation and its effect on retired teachers, and the study for consolidation had been added by an amendment to the resolution. He noted that the committee did not wish to consider consolidation but was mandated to do so by HJR 40.

A discussion followed regarding the effect of inflation on retired teachers, the possibilities of increases in retirement benefits and cost of living increases.

A motion was made by Mrs. Rice that the Acting Executive Secretary write formal requests to MEA, MFT, Montana Retired Teachers Association, University benefits Committee, School Boards Association, and Administrators Association calling the attention of these agencies to the fact that HJR 40 is being considered with consolidation under study, giving the agencies the members of the committee and requesting assistance in the matter. Mrs. Rice stressed the fact that this should be a formal request from the Board to these agencies requesting their assistance. The motion was seconded by Mr. Kearns and approved by the Board.

A contract submitted by Hendrickson and Bird for actuarial services was approved upon a motion by Mr. Kearns and seconded by Dr. Gloege.

Dr. Wenaas moved that disability benefits for Richard A. Landis commence with the first of September, as requested by Mr. Landis, rather than the first of the month following the month he was forced to terminate teaching as is usually the case. The motion was seconded by Mr. Corbin and carried.

Disability benefits for S. Julia Gray were approved upon a motion by Mr. Corbin and seconded by Dr. Gloege.

In reviewing the application for Edyth Kirtley for disability benefits, it was the concensus of the Board that further information would be necessary in order to make a determination as to Mrs. Kirtley's eligibility for benefits. The Board instructed the Acting Executive Secretary to request further information from the attending physician regarding the extent of the disability, and also to request information as to whether Mrs. Kirtley is endorsed to teach in another area.

Mrs. Rice moved that disability benefits for Rose J. Berreth be approved. The motion was seconded by Dr. Wenaas and approved by the Board.

The Acting Executive Secretary informed the Board that another teacher had passed away leaving the Teachers' Retirement System $5,137.80 from Certificates of Deposit left in the name of the Teachers' Retirement System. He stated this amount had been placed with the Minnie Fullam Fund for investment.

A discussion followed regarding this Fund, at which time the Acting Administrator explained to the Board the Fullam Fund, where it had originated and the use for which the donor had originally intended the amount. It was noted that the Montana Retired Teachers had been approached for suggestions for the use of the fund but as yet had not arrived at a possible solution. Dr. Gloege suggested that the Board consider investing some of the fund to assist in the Elder Hostel

Program in Montana. The Board approved this suggestion and will look into the possibility.

The business meeting was adjourned in order that the Board could consider applications for the position of Executive Secretary.

James E. Burke

James E. Burke
Chairman

Robert Johnson

F. Robert Johnson
Acting Executive Secretary

TEACHERS RETIREMENT BOARD

SPECIAL MEETING-SEPTEMBER 7, 1979

A special meeting of the Teachers' Retirement Board was called to order at 9:00 A.M. by Vice Chairman Gloege and was immediately placed in Executive Session for the purpose of appointing an Executive Secretary.

Those present were:

James E. Burke, Chairman
Dr. George Gloege
Harold Wenaas
LeRoy Corbin
J. William Kearns, Jr.
Georgia Rice

Mr. Maurice Hickey, Mr. James Turcotte, Mr. Orville Dodge and Mr. F. Robert Johnson, Acting Executive Secretary, were interviewed by the Board.

F. Robert Johnson was appointed Executive Secretary of the Teachers' Retirement System effective September 7, 1979 at step 6, grade 17 of the State Wage and Pay Classification Plan.

The meeting adjourned at 4:00 P.M.

James E Burke

James E. Burke
Chairman

F. Robert Johnson

F. Robert Johnson
Executive Secretary

EXECUTIVE SECRETARY'S REPORT

October 10, 1979

Since being appointed Executive Secretary the emphasis in this office has been to implement as many of the audit recommendations as possible. We are now currently posted and the credit for being current goes to Mary Andridge. Being current means many of the major areas of concern in the audit have been alleviated. We are now utilizing computer drops to determine refund amounts and this eliminates the manual addition of contributions and calculation of interest which resulted in errors made in the past. Our subsystem has a program to completely calculate refunds, however, some problems still have to be resolved to implement that program.

Many of the internal controls, or lack thereof, for which we were criticized, have been implemented, such as new locks on outside doors, restrictive endorsement of all checks by an individual other than the one responsible for deposits, and depositing of all checks on a timely basis. We also have initiated a procedure to follow up on delinquent reports which we hope will work and eliminate the need for seeking legislation to impose a penalty on delinquent agencies. All agencies not reporting to us in an efficient manner have been contacted and a deadline of January 1, 1980 has been set for compliance. This should reduce the workload in our data entry section and also reduce errors in posting. Several of the agencies have indicated compliance in the form of magnetic output which eliminates all keypunching of data submitted in this format.

We hired Marjorie Rowley as an Administrative Assistant to replace Tom Murphy. Marjorie will be giving assistance to Mary Andridge with the major priority being to contruct the balance of our three liability accounts for which we were criticized by the Legislative Auditor. When these balances have been determined our accounting operations will have improved considerably.

One of our Accounting Clerks, Joyce Zahn, has resigned to take a better paying position with the Accounting Division, Department of Administration. Joyce was instrumental in developing a procedures manual for reporting officials which was badly needed. We will certainly miss Joyce. It seems the smaller State agencies are a training ground for larger departments.

I attended the Governor's Conference on Aging in Billings on September 21, 1979 and will be participating in the MEA Convention in Helena on October 18 and the MFT Convention in Kalispell on October 19.

TEACHERS RETIREMENT BOARD

October 10, 1979

The October 10, 1979 meeting of the Teachers Retirement Board was called to order by the Chairman with the following present:

James E. Burke, Chairman
LeRoy Corbin
Harold Wenaas
George Gloege
J. William Kearns, Jr.
F. Robert Johnson, Executive Secretary

Mr. John Voorhis represented Georgia Rice who was unable to be present.

The minutes of the meeting held August 17, 1979 were approved after a motion by Dr. Gloege which was seconded by Mr. Corbin and approved by the Board.

The Executive Secretary stated that he had written the various agencies named by the Board. A short discussion ensued regarding plans and efforts made by Board members to contact individual members on the committee on HJR 40.

In considering the Executive Secretary's Report the Board was told that the Executive Secretary would like to keep the Board apprised of efforts being made since his appointment as Executive Secretary, and that he feels the major area of concern is the recommendations in the audit report. Mr. Johnson stressed the fact that every effort is being made to implement these recommendations as quickly as possible and that further reports would keep the Board informed of progress in these efforts.

The Board discussed the fact that perhaps job classifications were not high enough for employees, and that this agency was training employees for better paying jobs in the larger agencies. Mr. Voorhis stated this was not uncommon in State agencies, and was a result of trying to fit jobs into categories when most of them are difficult to categorize.

The Executive Secretary's Report was then placed on file for future reference by the Chairman.

Dr. Gloege suggested that the Executive Secretary introduce the employees to the Board at the next scheduled meeting. This suggestion met with the approval of the Board.

In reviewing the financial, budget, mortgage and investment reports, the Board recommended that only delinquent mortgages of two or more months be included on the delinquent report. The Board felt this would present a more meaningful report.

After considerable discussion regarding investment earnings and procedures, the financial, investment, budget and mortgage reports were ordered placed on file for future reference by the Chairman.

The Executive Secretary reported on the National Council on Teacher Retirement held in Hollywood, Florida, September 23 to 27, stating that investments again were a large part of the program. Workshops on non-contributory and employee pick-up plans and disability were of particular interest and educational. Another area of concern was inflation and its effect on retirement systems and retirees. Mandatory universal social security coverage was also a concern as in the past.

Mr. Corbin noted that his attendance at the convention and various workshops left him with the impression that the Montana Teachers' Retirement System should be considered a much better retirement program than most in the country.

Alton Hendrickson, actuary for the System, was admitted to the meeting. By way of explanation the Executive Secretary stated that Mr. Hendrickson would be preparing the biennial valuation of the retirement system as of June 30, 1979 and would like to discuss with the Board the assumptions to be used in the valuation. The actuary advised the Board that it was his opinion that consideration should be given to changes in certain assumption areas. The mortality rates and disability rates would not need attention as the System was not large enough nor had enough experience to develop tables for these assumptions.

Mr. Hendrickson stated that there is justification to increase the investment assumptions from the current rate of 6¼%. He also noted that the difference between investment yield and salary increases was the important consideration, with the present difference being 1¼%.

The Board then decided to discuss the problem of the use of severance pay after receipt of the valuation and the additional data the report would provide.

Mr. Hendrickson then brought to the attention of the Board the fact that mortality tables being used to calculate benefits under the tax sheltered annuity program would be considered sexually discriminatory. He suggested the use of unisex tables for the calculation of benefits under this program. The Executive Secretary noted that there have been some inquiries regarding this matter from members, and that TIAA-CREF was taken to court for not using unisex tables and lost the case.

Mr. Corbin moved that the Teachers' Retirement System adopt unisex mortality and interest tables for the calculation of benefits under the tax sheltered annuity program. The motion was seconded by Mr. Kearns and approved by the Board. It was determined by the Board that the adoption of the new tables would be effective January 1, 1980.

Consideration of applications received for the position of Assistant Administrator was the next order of business. Discussion regarding those individuals whose applications were selected for interview ensued.

Mr. Kearns, Dr. Wenaas and, provided she would be available, Mrs. Rice, were appointed by the Chairman as the interviewing committee to assist the Executive Secretary in selecting an assistant.

Dr. Gloege reported on information he obtained regarding the Elder Hostel Program. He noted that Eastern Montana College was very interested in the possibility of the Fullam Fund as a financial assist in funding this type of program in their unit. Contacting officials at other University System units indicated their response was the same. Dr. Gloege stated he would be happy to present the possibility of such a program to the Montana Retired Teachers Association if the Board wished him to do so, although, he noted, the Billings Retired Teachers did not seem overly enthusiastic about participation in the program. He had also, however, spoken with individuals who were excited and pleased with the program now in existence.

Dr. Gloege requested direction from the Board as to whether he should pursue this idea.

Mr. Corbin suggested the program be open to the elderly public and not specifically for retired teachers, both for public relations with the elderly and in order to enable the elderly to enhance themselves.

Dr. Gloege moved that a more detailed program be requested from Eastern Montana College, along with cost information to fund such a program. The motion was seconded by Mr. Kearns and approved by the Board.

A motion to approve the following applications for retirement and survivor's benefits submitted to the Board for approval was made by Mr. Kearns and seconded by Dr. Gloege.

RETIREMENT APPLICATIONS - JULY 1979	AMOUNT	AGE
Anderson, Annabelle N.	397.23	52
Berreth, Rose J.	414.12	68
Blackburn, Glenn E.	593.31	60
Brandvold, Arthur	1,140.33	56
Carson, Herbert M.	527.28	63
Emerson, Clarence A.	759.35	54
Filppula, Virginia	651.19	58
Glass, Elizabeth	133.43	60
Gorton, Lois E.	298.46	59
Graff, Laura	262.59	65
Kettering, Buxton	251.19	55
Kleppin, Phyllis	652.49	61
Kommers, Vernatta R.	283.63	62
Kurtz, Rose	471.90	65
Pecharich, Alice	883.49	62
Person, Helen K.	398.57	62
Roberts, Richard E.	251.27	60
Skibsrud, Marian I.	125.58	62
Stevens, Ruby	408.11	65
VanDaveer, John F.	878.21	57
White, Beverly M.	283.27	61
Wilson, Lorna M.	432.88	65
SURVIVOR BENEFITS - JULY 1979		
Kelly, Kerry Kaye (s) Kaye Kelly, Act.	246.06	22
Taylor, Naomi (s) Maurice Taylor,Act.	832.63	63
RETIREMENT APPLICATIONS - AUGUST 1979		
Armstrong, Pearl	137.80	61
Ausen, Glen R.	490.33	55
Parker, Gertrude	58.44	55
Posey, Robert W.	121.69	60
Smith, Nellie N.	319.13	64
Stevens, Walter W.	196.00	55

RETIREMENT APPLICATIONS - SEPTEMBER 1979	AMOUNT	AGE
Cravath, John L.	484.81	60
Dougherty, David A.	68.22	55
Goodman, Luella	149.47	60
Gray, S. Julia	736.00	56
Grosfield, Jane P.	247.91	62
Hausser, Harry E.	816.75	65
Hawker, Virginia	251.22	59
Hedge, Arthur W.	664.97	67
Madison, Ruth	139.23	67
Metz, Romaine	81.14	55
Titland, Kathleen N.	637.18	61
Williams, Charles C.	857.59	63
SURVIVOR BENEFITS - SEPTEMBER 1979		
Beasley, Grafton (s) Carol Beasley, act.	74.74	31
Kelly, Clark A. (s) Kaye Kelly, Act.	243.74	19
O'Dell, Kathleen (s) Roberta O'Dell, Act.	31.09	14
O'Dell, Mary T. (s) Roberta O'Dell	31.41	18
RETIREMENT APPLICATIONS - OCTOBER 1979		
Everson, Glenn	544.36	55
Gilmore, Cecil	457.99	55
Lamey, Helen	201.21	56
Nelson, Orvall	149.78	60
SURVIVOR BENEFITS - OCTOBER 1979		
Nodding, Diane L. (s) Gary Nodding,Act.	479.72	44

The disability retirement application for Ruth Vonnell was approved upon a motion by Mr. Corbin which was seconded by Mr. Kearns.

Additional information supplied by Edyth Kirtley relative to her disability resulted in a motion to approve her application by Mr. Kearns. The motion was seconded by Dr. Gloege.

The Executive Secretary advised the Board that the MFT lawyers wish to meet with the Board and with Mike Young, attorney for the Board, relative to service for private in-state teaching.

The Executive Secretary noted that it was his opinion that the Board did not have the authority to grant service for private school teaching within the State of Montana, but that perhaps the Board would wish to meet with MFT lawyers and Mike Young to discuss this problem. The Board then instructed Mr. Johnson to contact Mr. Young and discuss this possibility with the attorney.

The Executive Secretary then read to the Board a letter received from the attorney for Theodore J. Waddell, who received a refund from the System in excess of the amount to which he was entitled. The letter indicated that the refund, in the amount of $7,143.86, would not be repaid to the Teachers' Retirement System. A motion was made by Mr. Kearns to contact the Board's attorney, Mike Young, and ask that he take steps to collect the overpayment. The motion was seconded by Mr. Corbin.

A motion to adjourn was made by Dr. Gloege and seconded by Dr. Wenaas.

James E Burke

James E. Burke
Chairman

F Robert Johnson

F. Robert Johnson
Executive Secretary

EXECUTIVE SECRETARY'S REPORT

DECEMBER 12, 1979

The interview committee comprised of Bill Kearns, Georgia Rice, Harold Wenaas and myself met on November 1, 1979 to interview candidates for the position of Assistant Executive Secretary. The committee selected Steve Bennyhoff for the position. Steve has a solid background in accounting and SBAS, having worked for the Department of Lands, and more recently with Management Systems. Steve's primary responsibility for the present will be to see that we comply with the audit recommendations. Steve will also be reviewing our present SBAS system to see whether we are utilizing SBAS to its maximum capacity.

Mary Andridge, Pat Petersen and I attended the MEA Convention on October 18, and were kept busy answering individual's questions. The next day I spoke at the general session of the MFT Convention in Kalispell.

I was served with a subpoena to appear as a witness on October 29 in a divorce trial involving a TRS member. On October 30 I was in Dutton to talk individually to each of their teachers.

Larry Natchsheim, Administrator of PERD, and I met with Bill Smith of the Legislative Council. Bill will be the research analyst and liason for the committee on HJR 40. The meeting was mainly a learning process for Mr. Smith. He has advised us that the next meeting of the committee will be in January and that the administrators of PERD and TRS will be requested to give a presentation on information requested by the committee.

Personnel wise, June Pruett, the accounting clerk who handles our refunds, has resigned to take a better paying position with the Veterans Administration. June has prior Civil Service employment and was interested in increasing her longevity for retirement purposes. We have hired Cheri Zagurski to replace Mrs. Pruett. Mary Waples, our general office clerk whom we hired in October, is leaving in December to accompany her husband while he is taking pilot training for eight months with the National Guard.

We recently reviewed our vested right files and have written approximately 70 letters to those members who have attained the minimum retirement age of 55 and are thus eligible for a benefit. The response to these letters has been quite good.

We also have attempted to send account statements to all vested right members for whom we have an address. Many of these are being returned because of incorrect addresses.

TEACHERS' RETIREMENT BOARD

DECEMBER 12, 1979 MEETING

The meeting was called to order at 10:00 A.M. by Chairman Burke with the following members present:

James E. Burke, Chairman
Dr. George Gloege
J. William Kearns, Jr.
Dr. Harold Wenaas
LeRoy Corbin
Georgia Rice
F. Robert Johnson, Executive Secretary
Steve A. Bennyhoff, Assistant Executive Secretary

The order of business was revised to allow the testimony of Mike Young, Administrator of the Insurance and Legal Division, Department of Administration, and J. C. Weingartner, Attorney for Frank Kelly and others of the Montana Federation of Teachers, regarding the current policy of denying creditable service for in-state private school teaching. Mr. Young opened with a discussion on the history in which he referred to the Gardner Cromwell and Robert Sullivan cases which led to the current problem. He further stated that Mr. Weingartner was here to present a petition to the board for a declaratory ruling and then asked Mr. Weingartner to explain his petition. Mr. Weingartner explained the petition he was presenting and asked the board to either change the current policy of refusing creditable service for in-state private school teaching or to deny the petition. Mr. Young then stated that the statutes,both old and new, specifically refer to out-of-state teaching, with the defect being that in-state service is not out-of-state service and in his judgement the board would be exceeding its authority in allowing the petition as the constitutionality of the statutes can only be decided by the courts. Mr. Weingartner agreed with Mr. Young. Mr. Young then recommended that the board deny the petition and said that he would write the declaratory ruling for court settlement should the board so agree. Discussion ensued regarding possible action. Mr. Kearns then moved that Mr. Young prepare the declaratory ruling which was seconded by Dr. Gloege and the motion carried. Mr. Young and Mr. Weingartner were then excused from the meeting.

The order of business then reverted back to the original agenda which was approval of the minutes of the meetings of September 7, 1979 and October 10, 1979. The minutes were ordered to be placed on file by Chairman Burke.

Financial reports and Board of Investment reports were approved as a matter of record.

The Executive Secretary's report was read and approved.

Discussion then ensued regarding the Handbook of Information and the inability of the members to understand it. Mrs. Rice suggested that an outside agency or firm not in the retirement business prepare the handbook.

The board then discussed the consolidation issue and feedback from various organizations about keeping an open mind regarding consolidation, particularly the retired teachers, MEA and University Benefits Committee. The conclusion was reached that this sudden turnaround was due to the feeling that more strength could be derived for legislation through one system with the ultimate goal a cost of living increase. There was some doubt raised that an immediate benefit of this kind would offset the long term considerations resulting from a consolidation. Discussion centered around a possible survey to provide the board with additional input. Mrs. Rice moved that an informational sheet be included with every member's statement of account and that it be limited to one page. She further added that we should be educating members about this system. Dr. Gloege asked that the motion be amended to include retired teachers. The motion was seconded by Mr. Kearns and approved. Mr. Corbin moved the Executive Secretary make a list of the most often asked questions for use in the potential survey. Dr. Gloege seconded the motion.

Mr. Corbin mentioned that the interim committee on HJR 40 will meet in January and that he has made contact with Representative Menahan. Dr. Gloege has met with Representative Porter. Representative Menahan suggested that Alton Hendrickson be in attendance at the January meeting.

Alton Hendrickson, actuary for the system, was then admitted to the meeting. Mr. Hendrickson first discussed the severance pay issue and advised the board that the issue is becoming more of a problem. The number of people receiving severance pay increased from 28% in 1978 to 45% in 1979, and the average increase in benefit is over 7%. The cost to finance the severance pay is approximately ½ of 1% of gross payroll and some action should be taken by the board to maintain the financial integrity of the system. The Executive Secretary noted that only 29 out of approximately 480 employers are represented on the severance pay list. Mr. Hendrickson then pointed out that the possibility for even further misuse will only increase the problem and is effecting the unfunded liability and will continue to do so each year to an even greater extent. The Executive Secretary then offerred that MSU is asking for an Attorney General's opinion for consideration of eighth quarter leave as an addition to the last year's salary. Mr. Corbin noted that at the NCTR in Florida he had asked the representative from New York how the situation was handled and was told they simply excluded everything. Mr. Hendrickson agreed with this and said it was the only way to do it. Mr. Corbin said he was not advocating this, but was pointing out what was done in New York. The Executive Secretary stated that they also put a percentage limit on what a salary could increase in one year over the previous year. Mr. Hendrickson then said the only way to avoid playing games with final average salary was to know what your costs are going to be and he would rather see the base increased for everyong instead. Mr. Corbin then reaffirmed his hesitance to legislate changes in contractual agreements. Dr. Wenaas disagreed saying a member still gets the money contracted for, and the increase in retirement benefit due to present policy is not part of the contractual agreement.

Mr. Corbin stated that contributions are withheld from severance pay and Mr. Burke and Dr. Wenaas said that we could exclude withholding on severance pay.

Mr. Kearns asked if the present cost is damaging to the system to which Mr. Hendrickson replied not to the point of making the system financially unsound, however, the potential is there and action should now be taken.

Mrs. Rice said she has severe problems with eliminating it and would rather see an adjustment.

The Executive Secretary noted that severance pay was not intended to increase retirement benefits and has simply turned into a lucrative side benefit to retirees.

Considerable discussion ensued with Mrs. Rice asking if it would be fair to ask the actuary and Executive Secretary to come up with possible solutions or alternatives for the use of severance pay in the calculation of benefits and Mr. Corbin suggested that these alternatives be sent to the board in ample time to consider before the next board meeting.

Mr. Hendrickson then discussed the assumptions to be used in the valuation and recommended that the board consider using a 7% interest earning and a 5½% salary increase coupled with an added factor for longevity. Dr. Wenaas moved that these assumptions be used with Mr. Corbin seconding the motion. Dr. Wenaas asked if consideration should be given to the current rate of interest credited to the members' accounts and Mr. Hendrickson stated that it would be more appropriate to delay action at this time until the valuation is presented to the board. Consideration would also be given to a proposed change in the interest assumption for mortality tables at that time.

Mr. Hendrickson said then that the Executive Secretary had requested his comments on the audit report and he agreed that in any actuarial valuation in which assumptions are changed there be a detailed breakdown to show the net effect of how assumptions change the cost. This information was provided but not included as part of the report in the last valuation.

As to the comment that the unfunded liability was not being amortized over the working life of the member, Mr. Hendrickson explained that no one has ever recommended a specific length of time for the amortization period, however, 40 years is the accepted length of time for public pension plans. He also agreed with the comment on providing a gain loss study but said the current automated system would not provide the information, and he hoped that, if the new system is adopted, provisions would be made. The board then thanked Mr. Hendrickson for his comments and he was excused from the meeting.

Reorganization of the board was the next item of business and Mrs. Rice moved that the present chairman, Mr. Burke, and vice-chairman, Dr. Gloege, be retained through Mr. Burke's appointment of July 1, 1980. This was seconded by Mr. Kearns.

Attention then focused on the Executive Secretary's progress report on the audit. Discussion ensued on those items implemented and whether we were getting cooperation from those agencies not reporting in an efficient manner. Mrs. Rice then moved that the report on the progress be accepted and that a similar report be prepared in six months. Dr. Wenaas seconded this motion and the motion passed.

The Attorney General's opinion on sabbatical leave was then presented in which it was held that anyone on a paid sabbatical shall receive credit and that employer and employee contributions should be withheld. The Executive Secretary explained the implications of the opinion and agreed that a teacher paid $1.00 would receive a year of creditable service. He further stated that he wished to bring the opinion to the attention of the board, and, should they desire a change, legislative action would be needed. Mr. Corbin stated that this be an item for possible legislation. Dr. Wenaas said that his district has eight different kinds of leave, none of which are classified as sabbatical leave. The Executive Secretary said that in his opinion all paid leave would qualify as long as the member was in an employee-employer relationship during the leave.

Dr. Gloege then told the board that the Montana Retired Teachers completely voted down the use of the Fullam Fund for the elder hostel program. He did note that it was suggested that part of the money be used to fund a study to find a means for a cost of living adjustment for retired teachers. Mr. Burke then explained that the board has the right to spend the fund as it sees fit and not necessarily for only retired teachers.

Retirement and survivor applications were presented and Mr. Kearns moved that they be approved. This was seconded by Mr. Corbin.

The disability application for Ann Phillips was then considered and Mr. Corbin moved the applications be approved. Dr. Gloege seconded this motion.

Conversation again shifted to severance pay and the Executive Secretary explained that the majority of the severance pay is due to sick leave with the exception of some state employees and administrators. Mrs. Rice requested a breakdown as to sick pay, vacation, etc. if readily available.

Resolution 71 authorizing the Executive Secretary and the Assistant Executive Secretary to sign all claims was presented to the board. Mrs. Rice moved to approve and Mr. Kearns seconded.

Resolution 72 authorizing the Executive Secretary to sell all securities of Minnie Fullam Fund was presented. Mr. Corbin moved to approve the resolution and the motion was seconded by Dr. Gloege. Both motions carried.

Dr. Wenaas then told of a letter he received from G. V. Erickson regarding cost of living increases and the board suggested that Mr. Erickson be invited to the next board meeting to present his proposal. The Executive Secretary then told the board that he had heard that the appropriations committee would only consider retirement increases to be funded by raising contribution rates.

Mrs. Rice suggested that the coal tax should be considered as a source of revenue.

The chairman then entertained a motion to adjourn and this was moved by Mr. Kearns and seconded by Mrs. Rice.

James E Burke

James E. Burke
Chairman

F. Robert Johnson

F. Robert Johnson
Executive Secretary

RETIREMENT APPLICATIONS - OCTOBER 1979	AMOUNT	AGE
Kirtley, Edythe L.	314.83	48
O'Neill, John J.	1,142.06	56

SURVIVOR BENEFITS - OCTOBER 1979		
Wheatley, Mary G. (s) Dale Wheatley	129.36	43

RETIREMENT APPLICATIONS - NOVEMBER 1979		
Crawford, Bruce	72.67	60
Griffin, Mavis M.	108.05	62
Heliker, George	762.07	60
Lieske, Muriel E.	69.71	55
Lillehaugen, Sylvia	750.01	68
Lindenfield, Flora	202.84	62
Nyquist, Betty R.	32.89	55
Riddle, Inga	74.02	62

RETIREMENT APPLICATIONS - DECEMBER, 1979		
Bonnell, Ruth P.	443.43	59
Cox, Jean Glover	73.33	60
Lizotte, Clara	54.76	55
Old Coyote, Henry	86.65	62
Syverson, Blanche	441.66	55
Schmittroth, Louis	216.48	55

RESOLUTION NO. 71

WHEREAS, MCA 19-4-501 (4) 1979 required that, " The state treasurer is the custodian of the collected retirement system moneys and of the securities in which the moneys are invested. All expenditures from the moneys may be made only upon claims signed by two persons designated by the retirement board. A properly attested copy of a resolution of the retirement board designating such persons and bearing on its face specimen signatures of each person shall be filed with the department of administration as its authority for approving such claims."

RESOLVED, that the Teachers' Retirement Board hereby designates F. Robert Johnson, Executive Secretary, and Steve A. Bennyhoff, Assistant Executive Secretary, whose signatures appear below, to sign all claims for expenditure of moneys on deposit with the State Treasurer for the account of the Teachers' Retirement System.

F Robert Johnson

F. Robert Johnson
Executive Secretary

Steve A. Bennyhoff

Steve A. Bennyhoff
Assistant Executive Secretary

James E Burke

Chairman

Georgia Rice

George H. Gloege

RESOLUTION NO. 72

BE IT RESOLVED, that F. Robert Johnson, Executive Secretary, is hereby authorized and empowered to sell and asign any and all securities of any description now and hereafter owned by the Teachers' Retirement Board, Minnie S. Fullam Fund, and

RESOLVED FURTHER, that any and all assignments or sales of any such securities registered in the name of, or assigned to the Teachers' Retirement Board, Minnie S. Fullam Fund, hereafter made by the above named officer are hereby ratified and confirmed.

James E Burke
Chairman

EXECUTIVE SECRETARY'S REPORT

FEBRUARY 8, 1980

We received the phase 3 report of our current study of converting to a new computer membership accounting system. The phase 3 report is the most critical stage as far as input to the systems design people and Steve, Mary and I will be doing a critique of the report and will then meet with personnel from Information Systems Division to discuss modifications. I am particularly concerned with the cost and human resources called for in the conversion. The last conversion resulted in many of the problems discussed in the audit and we want to avoid these kinds of problems.

Our Accounting Clerk of less than 3 months, Kathy Wood, has resigned to move to California. We have replaced her with Jacque Williams. Mary Andridge is currently behind two months in the posting process, largely due to having to train the two accounting clerks. On the bright side, Marjorie Rowley has completed the individual balancing of member's accounts for the 1976-77 fiscal year. Therefore, more time can be devoted to helping Mary Andridge.

We are also having our employees complete employee valuation forms in conjunction with a pilot program within the Department of Administration that could become a statewide program. With the valuation, standards of performance are defined with each task. This should help both the supervisor and employee to know what is expected and also gives objectivity to the valuation.

Steve has been working diligently on cleaning up audit recommendations and has lent a spirit of organization to our accounting process. I am very pleased with his progress. Steve contacted the Legislative Auditor's office for work papers they had from previous audits for assistance in a starting point as far as beginning balances. We were advised that these work papers of the Holmes and Turner Audit would be of little value, so they were of little help in this area.

We have had to replace some carpet in the lower level of our building which is currently leased to the Architecture and Engineering Division. The carpet was curling very badly in those areas where pieces were joined. It appears the initial installation of the carpet was of poor quality. If the problem reoccurs, we will probably have to replace the entire carpet since it poses a hazard to the people working in the areas where the carpet is curled. The carpet is wearing well and we would not like to have to replace it due to the cost.

Since the last meeting, I spoke to a group of prospective retiring teachers at the Helena Retired Teachers' Association. The Helena Retired Teachers Group is providing retirement counseling to teachers considering retirement and they should be commended on this service.

I will be attending the Legislative Interim Committee meeting on February 2, 1980, and have been asked by the Committee to give a presentation about the System and the retirement increases granted to its retirees.

TEACHERS' RETIREMENT BOARD

FEBRUARY 8, 1980 MEETING

The February 8 meeting of the Teachers' Retirement Board was called to order at 9:30 a.m. by Chairman Burke. Those present were:

James E. Burke, Chairman
LeRoy Corbin
J. William Kearns, Jr.
Georgia Rice
F. Robert Johnson
Steve Bennyhoff

Dr. Gloege arrived late due to travel difficulties.

The minutes of the December meeting were approved by Mrs. Rice and seconded by LeRoy Corbin.

The financial, budget status, and mortgage reports were reviewed and discussed. The Executive Secretary informed the Board that the Board of Investments has assumed the responsibility for the mortgage. Mr. Corbin questioned who has the final responsibility and doesn't that rest with the Teachers' Retirement Board? The Executive Secretary replied that we only have a letter from Jim Howeth stating that the Board of Investments will assume all responsibility for mortgages as of November 1, 1979, and the letter was produced for the Board's information. Mrs. Rice asked if the letter from Mr. Howeth is a part of any minutes or officially noted and wondered whether the Board should acknowledge receipt of the letter as part of the minutes for legal documentation.

Mrs. Rice made a motion that the Board accept and acknowledge receipt of the letter from the Board of Investments concerning the mortgages and that the acknowledgement be included as part of the minutes of the meeting. Motion was seconded by Mr. Kearns.

Mrs. Rice amended the motion to also acknowledge the letter sent by the Executive Secretary to Mr. Howeth stating that we would accept responsibility for mortgage to November 1, 1979. Total number of letters made part of the minutes and included in the motion: (2) Motion carried.

The Board then expressed their desire to examine the legal ramifications of the Board of Investments taking responsibility for mortgages and where, legally, does the responsibility of the Teachers' Retirement Board end. Mr. Corbin requested that the Executive Secretary check the legal implications of the action to turn the mortgage accounting responsibility over to the Board of Investments and report on the matter at the next meeting.

The budget status was reviewed, and the Executive Secretary pointed out that the Board's per diem allocation is totally expended but was not a matter for concern.

The Executive Secretary's Report was reviewed and Mrs. Rice asked about Audit Recommendation Compliance Report around the next meeting. The Executive Secretary replied that she had requested that at the time of the last Progress Report and there would be an additional report forthcoming.

Discussion next centered around the Legislative Interim Committee on HJR 40 and Mr. Feaver's letter to Chairman Vincent. The Executive Secretary expressed his disappointment that the MEA Retirement Committee did not contact the Teachers' Retirement System regarding the audit report progress prior to writing their recommendations to the Delegate Assembly. The Executive Secretary noted that Mr. Nachtsheim, Administrator of PERD, told the Committee that they had similar problems two years ago. Mr. Kearns and Mr. Corbin both mentioned their understanding that the Executive Secretary did a good job at the hearing and handled it well. The Executive Secretary reported that he did write a letter to Chairman Vincent of the Interim Committee in response to Mr. Feaver's letter.

Mrs. Rice pointed out the Board's unfavorable position and inability to inform teacher members of the current status. Discussion ensued concerning mailing information to all teachers. The Executive Secretary suggested securing a mailing list of the Delegate Assembly and sending them information regarding audit recommendation progress and was told that it was not possible. The Executive Secretary said that Chairman Vincent told Mr. Feaver that he very much doubted the Committee would have the time or the money to perform a study on consolidation to the extent he was requesting and that the Committee considered cost of living increases of prime importance. The Board then discussed the upcoming meeting with the MEA and the fact that it could be a very emotional meeting, and the Board should be organized as to the type of questions.

The Board then decided to admit G. V. Erickson and Alton Hendrickson for Mr. Erickson's proposal on cost-of-living increases and then resume the MEA discussion. The Executive Secretary presented Mr. Erickson's proposal to the Board and explained the formula. Mr. Erickson then stated that his proposal is not necessarily what the Montana Retired

Teachers' Association had decided since they do not meet until May, however, the concept and thought behind the proposal are definitely thoughts of MRTA. He noted that MRTA has come out definitely opposed to consolidation and also opposed to 25 year retirement. Mr. Corbin assured Mr. Erickson that the Board is greatly concerned with cost-of-living problems and wants a solution as badly as MRTA. Mrs. Rice requested written verification from the MRTA on consolidation and Mr. Erickson replied that he will have Mark Jennings, President of MRTA, provide the same. Mr. Corbin suggested that the letter also include information that MRTA is opposed to 25 year retirement. Mr. Erickson then explained his proposal and the basis on which he feels increases in benefits should be based. Mr. Erickson's proposal centered around the number of years of service and that increases should also be based on the median salary of those teachers currently retiring. Mr. Erickson also noted that funding is not considered and this is, of course, the greatest problem.

The Board then discussed various alternatives for funding, such as coal tax, and the fact that the coal tax was established for the benefit of the people of Montana and what better way than providing retired public employees with an increase could the fund serve. It was generally agreed that the alternative funding sources should be considered through a joint effort of all entities concerned.

Mr. Hendrickson then stated that Mr. Erickson's cost-of-living proposal had a lot of merit and that it would initially require approximately 15 million dollars and about one million dollars per year thereafter to sustain the increases. If the proposal were to be funded through increases in the employer-employee contribution rate, the increase would be at least 33 percent.

Mrs. Rice suggested a percentage of the revenue from school lands or a part of that which is not set aside for education. She noted that the constitution would have to be checked for legality. Mr. Corbin stated that the legislature approves all increases where they do not have to be replaced elsewhere.

The Executive Secretary then informed the Board that the Legislative Interim Committee on HJR 40 has requested a proposal for a cost-of-living increase and the costs related to these increases. He then asked for suggestions from the Board. Mrs. Rice moved that the Executive Secretary pursue the study of cost-of-living increases and this was seconded by Mr. Corbin. Mrs. Rice again stated that alternative cost-of-living funding should be studied and that the employer-employee contribution is not the place to be looking. Mr. Erickson was then excused from the meeting; and Mr. McGarvey of the Montana Federation of Teachers was admitted.

The next item under consideration was the valuation. Mr. Hendrickson noted that the reason for the valuation is to determine the financial position of the System. The valuation shows the System is funded on an actuarially-sound basis. Mr. Hendrickson informed the Board that the amortization period for the unfunded liability is 48.15 years. The increase in the funding period is due for the most part to severance pay which is now being utilized in the calculation of the final average salary. The Executive Secretary then asked Mr. Hendrickson if it wasn't true that the funding period would have decreased had it not been for the inclusion of severance pay in the calculation of retirement benefits? Mr. Hendrickson replied that the use of severance pay added 6 1/3 years to the funding period with a net increase of 4.40 years, so the funding period would have decreased about 1.93 years. Mr. Hendrickson also pointed out that the decrease in active members is also a contributing factor and that the number of retired members is also increasing each year. Mr. Burke questioned the 5½ percent salary assumption; and Mr. Hendrickson said that although recent salary increases have been greater than 5½ percent, it would be irresponsible to assume a 12 percent increase for that great a number of years assuming that every 6 to 7 years salaries would double. Mr. Corbin requested additional information on severance pay relative to documentation of the fact that it served to increase the amortization period. Mr. Hendrickson then stated that an additional 19 million dollars of the unfunded liability is directly due to severance pay and nothing else. Discussion ensued on the fact that severance pay, unless already defined, can be even further abused and create a greater liability even though the law is not changed. The discussion resulted in an observation by Mrs. Rice to the effect that it is her opinion that none of the Board members want to take away the higher benefit produced through the use of severance pay, therefore, it appeared that the only solution was to find a way to fund it.

The matter of interest rates for the forthcoming year was then discussed and Mr. Hendrickson said that he was not prepared for this discussion but would return in the afternoon. The Executive Secretary then mentioned that Representative Nordtvedt has questioned our earning 8½ percent on investments and credit only 5½ percent. Mrs. Rice suggested that all discussion on interest rates be deferred until the afternoon session. Mr. Hendrickson was excused.

Chairman Burke turned the discussion to what questions will be posed to the Montana Education Association representatives and stated that the Board should unify its position. Considerable concern was registered by the Board regarding statements of mismanagement of TRS and that comment reflected on every Board member. The Board's chief complaint is that the System was not contacted for current information on the audit report and simply condemned the System without inquiring as to what had been done about the situation. The Board was unanimous in its disapproval of the MEA Retirement Committee's action. Mr. Kearns suggested that they ask whether this reflects the position of the entire MEA.

Mrs. Rice asked Steve what questions he would ask now that he is familiar with the audit and Steve replied that in his opinion Mr. Feaver's letter was written for shock value and did misrepresent the situation.

The Board was also concerned that the report may be slanderous and injurious to the Board members, particularly the public representatives.

Dr. Gloege commented about the other legislative recommendations, particularly the one which advocates an elected Board from the membership. Mrs. Rice mentioned that this proposal is contrary to legislative intent and the philosophy of the State regarding Board composition.

The Board was then advised that the refund erroneously made to Theodore Waddell was taken to Mike Young, Attorney for the Department of Administration, and was informed that Mr. Young's office would not be able to handle it; and that the matter should probably be given to the Attorney General's Office'e Legal Services Agency. This was done and a contract was signed by both agencies to provide legal service for $25.00 per hour. Dr. Gloege moved to approve the contract which was seconded by Mr. Corbin and the motion passed.

Next item of business was the selection of delegates to the MCPERS, April 13-17, at Orlando, Florida. The Executive Secretary stated that it has been the policy to send the Assistant Administrator and one Board member to the Conference, however, Steve Bennyhoff had declined to go because of studies for the upcoming CPA test. Mr. Corbin then motioned that Chairman Burke and the Executive Secretary attend the Conference. Motion was seconded by Dr. Gloege and passed.

The Board next considered a letter from Morris Brusett, Legislative Auditor, concerning the eligibility for membership for the Executive Director of the Montana Advisory Council for Vocational Education. The Executive Secretary explained that under the law, the Board has the right to determine membership eligibility when the statute is in question. Mrs. Rice made a motion to allow membership which was seconded by Dr. Gloege and passed by the Board.

Mrs. Rice then questioned whether there would be a lot of this type of requests and suggested that the law be written to cover situations of this type. Mr. Johnson stated that it is impossible to write the law to cover every conceivable situation. Mrs. Rice felt that a policy could be written to govern these situations so that the Board would not have to waste their time making this type of decision. The Executive Secretary stated that usually the nature of the position determines the eligibility. The discussion was thus tabled.

The Board was then presented the declaratory ruling prepared by Mike Young on the case of private school teaching within the State and it was signed by all members present.

The Executive Secretary then asked for further direction from the Board as to what they wanted to be included in a possible survey of members and the means to disseminate this information. Discussion thus ensued and it was agreed that an informational letter would be more appropriate and should be limited to one page. Mrs. Rice again offered "Montana Schools" as a medium if the letter of information was provided by the staff of the Teachers' Retirement System. A "DID YOU KNOW . . . ?" article was suggested by Mr. Burke and Dr. Gloege.

Eric Feaver, Chairman of the MEA Retirement Committee, and Owen Nelson, staff member of MEA, were then admitted to the meeting.

Mr. Burke opened the discussion by stating that the report to the MEA Delegate Assembly was reviewed by the Board and the Board was perturbed by the report and wished to know whether this report is a MEA position or a Committee position. Mr. Feaver replied that it is a Committee recommendation, however, the Committee voted unanimously on the report. Mr. Feaver explained the nature of the Committee and that they will make a report to the Delegate Assembly with their reccommendations when it meets in April. Mr. Feaver stated that the Committee's recommendations are based primarily on the Legislative Auditor's Report and that a member of the audit team had met with the Committee at their request and discussed the audit report. Mrs. Rice asked if it was Mr. Brusett and she was told "no". Mr. Mott, who performed the audit, was present.

Mr. Corbin asked if the MEA Retirement Committee had communicated with TRS regarding the audit, what has been implemented since the audit, and future plans regarding further implementation. Mr. Feaver stated that he informed the Administrator of the Committee decision immediately after but that TRS was not contacted for information prior to Committee decision.

Mr. Corbin stated that the Board feels there were some errors in the report, but the term "significant mismanagement' bothered the Board greatly and was a term with which the Board could not agree. Mr. Corbin further stated that it was a reflection on the Board and he was very perturbed that the MEA did not come to TRS for some time and answers prior to their decision. Mr. Corbin felt the report to the Delegate Assembly contained many half truths and innuendos.

Mr. Feaver explained that he had asked the previous administrator for copies of meeting minutes and agendas, and that he never received any, and that how it will be handled now remains to be seen and is up to the Board. He stated that the Board is responsible for the management of the System and its Administrator and whether the term "significant mismanagement" offends or not is not for him to decide but for the Delegate Assembly. He believes the suggestions made by the audit report mean the Board will have to take a closer look at the administration of the TRS and not accept that the teachers of montana are simply going to assume the System has proper management. He said that some of the recommendations from the audit of 1978 are merely repetitions of the 1976 audit recommendations and said the teachers have never had access to understandable, readable, clear-cut information on audit reports.

Mr. Corbin reiterated that there were some problems and the Executive Secretary and the Board were aware of some and the reason for an audit was to point out things which needed attention but the fact remains that the MEA Committee did not contact TRS to see what progress had been made before acting.

Mr. Feaver stated it could be said that it is incombent upon the TRS Board to inform the active participants of the System as to how things are getting better. He feels no compulsion on the part of MEA to daily or monthly analyze the System. However, MEA would be glad to accept written response from TRS regarding progress on audit recommendations. He also stated that if this information could be presented in written fashion, they would be glad to present the same to the Delegate Assembly.

The Executive Secretary noted his disturbance at the implication that PERD is "Mr. Clean" stating that their record of implementation of recommendations is much poorer than that of TRS and he feels that that kind of comparison is misleading.

Mr. Burke stated that the MEA is trying to "stir up the pot" and asked Mr. Feaver if he had some inside information. Mr. Feaver replied that he is greatly offended by the personal inferences and that he mades his own decisions.

Discussion went on that the legislative report did not contain any statements of significant mismanagement and Mr. Feaver replied that it was his feeling after reading the report, that there was, and that was his statement not the legislative auditor's.

It was then asked if TRS would be allowed representation at the Delegate Assembly and Mr. Feaver said that they would arrange for this if desired.

Chairman Burke mentioned that there were problems in the audit and that some of the problems stem from the State Pay Plan which creates turnover in the smaller agencies and makes it difficult to maintain continuity. He stated further that the auditor does not take these matters into consideration. The conversion to the State computer also created additional workload with no increase in personnel.

Mr. Feaver pointed out that the Committee is simply recommending a study of the possible consolidation of retirement systems and that the Board was overreacting.

The discussion continued on the lack of input from TRS and the misrepresentations that the Board felt were in the report of the Retirement Committee. The discussion of MEA's recommendation for an elected Board resumed and Dr. Gloege mentioned that retired teachers have been working to get citizen members. Mr. Feaver stated that other Boards are licensing Boards and the TRS Board is not, with the sole function being to administer the System. Mr. Feaver and Mr. Nelson were then excused from the meeting.

The Board then instructed the Executive Secretary to prepare a written report on audit progress for the Delegate Assembly members.

Mrs. Rice and Mr. Corbin both defended the position of non-teachers on the Board and Dr. Gloege also agreed and all three said they would support the non-teacher members.

Order of business then reverted to approve retirement applications for December, January, and February. Dr. Gloege moved to approve, with Mr. Corbin seconding, and the motion passed.

Disability for Leora Lorenz was moved by Mr. Corbin, seconded by Dr. Gloege and motion passed.

Disability application for Raymond Oliver, suffering from a heart condition, was moved by Dr. Gloege for approval, seconded by Mrs. Rice and motion passed.

Following are the applications for retirement benefits which were approved by the Board:

RETIREMENT APPLICATIONS - DECEMBER, 1979	AMOUNT	AGE
Cox, Jean Glover	73.33	60
Hein, Dorothy (retroactive to 7/1/76)	93.23	62
Lizotte, Clara H.	208.29	55
Schmittroth, Louis A.	216.48	55
Syverson, Blanche	441.66	55
RETIREMENT APPLICATION - JANUARY, 1980		
Aikens, Ruth E. (retroactive to 7/1/77)	240.09	56
Clause, Jeanne	350.38	55
Green, Shirley	129.37	55
Hardy, Aldean F.	776.51	63
Hartman, Glen	1,300.29	60
Jensen, Clarence	1,230.80	59
Latka, Rose (retroactive to 7/1/79)	133.74	64
Peery, Everett	984.10	60
Robbins, Sara (retroactive to 7/1/78)	172.75	63
Souther, Chester	351.06	62
Woodward, Helen (retroactive to 12/1/78)	133.68	60
RETIREMENT APPLICATION - FEBRUARY, 1980		
Faas, Betty R. (retroactive to 11/1/78)	183.58	56
Gwynn, Grace (retroactive to 6/1/79)	98.19	60
Helburn, Nicholas (retroactive to 1/1/79)	128.30	60
Matulys, Sheila	79.39	60
Moulton, Hilda (retroactive to 6/1/76)	80.00	60

The severance pay issue was then discussed and it was moved by Mr. Corbin that due to the length of the Board Meeting, the discussion be tabled. Dr. Gloege seconded the motion and motion carried. Mr. Kearns and Dr. Gloege, however, stated that is is their concern that the System remain actuarially sound and if the Board has knowledge of a problem and does nothing, the Board is remiss and subject to criticism and rightfully so.

Mr. Hendrickson then reentered the meeting. Mr. Hendrickson presented corrected valuation reports and stated the quality of the data available is much improved and that further, the Executive Secretary had requested a list of erroneous data in order to correct this information.

Mrs. Rice moved to accept the valuation and seconded by Mr. Corbin. Motion passed.

Discussion then centered around interest rate changes. Mr. Hendrickson suggested that the whole System be placed on a 7 percent basis. This would include regular retirement contributions, tax sheltered annuities, and interest assumption on retirement tables. Mr. Hendrickson then gave examples of the changes that would occur in the optional factors.

Mrs. Rice moved that we adopt a 7 percent interest rate as of July 1, 1980. Those members who are currently purchasing service, prior to June 30, would have until June 30, 1984, to complete payment at the interest rate of 5½ percent. Mr. Corbin seconded the motion and the motion carried. It was further clarified that the new optional factors would apply only to those members retiring on July 1, 1980, or after.

Dr. Gloege moved to adjourn and Mrs. Rice seconded the motion. Motion carried.

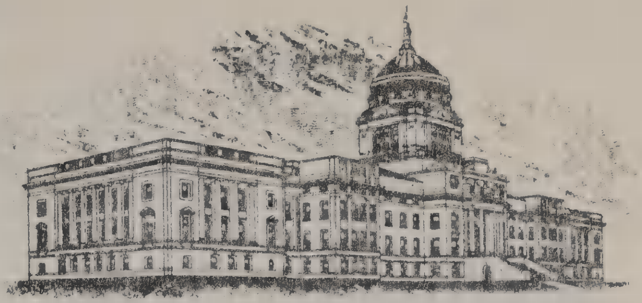
James E. Burke

James E. Burke
Chairman

F. Robert Johnson

F. Robert Johnson
Executive Secretary

STATE OF MONTANA
DEPARTMENT OF ADMINISTRATION
BOARD OF INVESTMENTS



ROOM 236, MITCHELL BUILDING
HELENA, MONTANA 59601
(406) 449-2656

September 12, 1979

Mr. F. Robert Johnson
Executive Secretary
Teachers' Retirement System
1500 6th Avenue
Helena, Montana 59601

Dear Bob:

We have received your September 11 letter and agree to allow you to discontinue your manual mortgage accounting system provided you adhere to the conditions set forth therein. We will assume full accounting responsibility for Teachers' Retirement System mortgages as of November 1, 1979.

Sincerely,

James R. Howeth
Investment Officer

JRH/dmp

[illegible]
SEP 13 1979
TEACHERS' RETIREMENT
SYSTEM

STATE OF MONTANA
DEPARTMENT OF ADMINISTRATION
BOARD OF INVESTMENTS

ROOM 236, MITCHELL BUILDING
HELENA, MONTANA 59601
(406) 449-2656

November 6, 1979

RECEIVED
NOV 07 1979
TEACHERS' RETIREMENT
SYSTEM

F. Robert Johnson
Executive Secretary
Teachers' Retirement System
1500 Sixth Avenue
Helena, Montana 59601

Dear Bob:

As discussed in your letter of September 11, 1979, your agency will reconcile principal mortgage payments to SBAS up to November 1, 1979. At that time, we will accept responsibility for all of Teachers' Retirement System mortgage accounting. Regarding this conversion, please inform the servicers of the following. Wire Transmittal of funds are to be made to:

Northwestern Bank of Helena
Account Treasurer, State of Montana
Account #25-099

Likewise, advise the servicers to send the Fund Transmittal Advice and the monthly MPACS reports to:

State of Montana, Board of Investments
Attn: Karen Munro
Room 236, Mitchell Building
Helena, Montana 59601 Phone: 449-2656

Advise the servicers in your letter to them that the Board of Investments will be responsible for the purchase of and receipt of mortgage monies and reports. All inquiries regarding servicing should be directed to:

Montana Board of Housing
Attn: Judy Gillespie
Room 229, Mitchell Building
Helena, Montana 59601 Phone: 449-3040

We will be discussing with members of your staff the transferring of your mortgage files to this office. This should resolve your conversion to MPACS and relieve you of your mortgage accounting responsibilities.

Thank you for your assistance in this matter.

Sincerely,

Jim

James R. Howeth
Investment Officer

JRH/mad

EXECUTIVE SECRETARY'S REPORT

JULY 23, 1980

The increase in interest rates certainly provided a stimulus to members in regard to purchasing additional creditable service. There has never been a busier June in my seven years with the System. On July 1, over seventy personal checks were received in the mail and the correspondence for April, May, and June greatly exceeded that of a year ago. The number of people visiting the office in June averaged from 10 to 15 per day.

Elsie Wilcox, our data entry operator and employee for 28 years, retired at the end of March. Vicki Erickson was promoted to the data entry job and has done an excellent job in maintaining the keypunching on a current basis. We are also now doing our own keypunching of changes to the monthly retired payroll. This was previously done by Data Processing and should reduce our data processing cost as well as reduce the turnaround time in processing the retired payroll. Pat Petersen, our secretary since 1975, resigned in May to accept a position with Hendrickson and Bird, Inc. Pat did a fine job while she was with us. We have replaced her with Sandy Bauer.

Our proposed new computer system progress is suffering from higher priorities within Information Systems Division as people normally assigned to our project have been diverted to other higher priority tasks. Priority of jobs is established by the Governor's Office within that division.

In April, I was in Billings to talk to retiring and prospective retiring teachers and was on the MSU campus in May to do the same thing. On July 23, I spoke to a group from the agricultural experiment station who had a meeting in Billings.

Due to budget problems, we had to temporarily suspend the microfilming of our records and were not able to hire an additional part-time person for records preparation. Inflation has caused a lot of budget problems due to the fact that the inflationary factors utilized in granting the appropriations were significantly lower than the actual rates.

The handbook of information has been revised and is now being printed. We have made some changes in those areas where the greatest number of questions occurred. The handbook will be distributed with the members statements of account, probably in late August.

The legislative auditors are again auditing our records for the 1978-80 biennium and this always tends to disrupt the normal operation of the office. They anticipate being through around August 15.

TEACHERS' RETIREMENT BOARD

JULY 23, 1980 MEETING

The meeting was called to order at 9:30 a.m. on July 23, 1980, by Chairman Burke. Those present were:

James E. Burke, Chairman
LeRoy A. Corbin
Dr. George H. Gloege
J. William Kearns, Jr.
Dr. Harold Wenaas
Georgia Rice
F. Robert Johnson
Steve A. Bennyhoff

Minutes of the February meeting were approved by Mr. Corbin and seconded by Mr. Kearns. Motion carried.

The Investment, Mortgage and Budget Reports were reviewed and Chairman Burke noted that the fiscal year had ended. He asked the Executive Secretary if we ended up a little bit in the hole? The Executive Secretary stated that a budget amendment was requested to get us through the year. The year end figures showed a balance of approximately $487.00. The Executive Secretary reported that the Interim Committee on HJR40 had requested some proposals on cost-of-living increases and in order to provide the costs of these proposals, the actuary, Alton Hendrickson, had to do some extra work. That work cost $2067.50. No money was budgeted for that purpose, so we requested a budget amendment which was subsequently approved. Chairman Burke asked what had been budgeted for the current fiscal year and the Executive Secretary replied that our budget is appropriated for two years and it is simply a matter of submitting an operational plan for 1980-81 within the appropriations granted. Chairman Burke stated that he was surprised that the mortgage delinquency profile looked as good as it does. Mr. Kearns asked about the 4 that are serious. The Executive Secretary replied that the Board of Investments is now assuming the accounting responsibility for the mortgages and he had asked Steve to check into all delinquencies of 3 months or more.

The Assistant Executive Secretary said that he went to the Board of Investments and talked with the individual responsible for our mortgages and was told that when they become 2 months in arrears, a letter is written to the servicing agent. Usually, the bank or servicing agent has already corresponded with them (Board of Investments) advising them of what the problem is. Steve then went through each of the delinquencies of 3 months or more commenting on the current status. It was remarked that out of 700 mortgages, we are in pretty good shape and that the total invested is $38.5 million.

Chairman Burke then asked if there were any other comments on the investment, mortgage, and budget reports? The Executive Secretary made a comment that at the next meeting, we will have comparative financial statements for fiscal 1979 and 1980 and they will be the first meaningful statements we have had for quite some time. He then commended the Assistant Administrator for the work he has done to clean up the accounting records. Mrs. Rice then asked that the Board receive a projection of the budget for the upcoming year as compared to 1979-80 so that the Board can compare what is happening.

Dr. Gloege then asked if the legislature has to approve our budget and Dr. Wenaas replied that the appropriation for the 2nd year of the biennium is already established. The Executive Secretary stated that the current rate of inflation has caused problems; it is not us, but a lot of other State agencies, too. The inflationary factors used in the last budgeting process just did not meet what actually happened. Dr. Gloege wondered why the legislature approved the Teachers' Retirement budget and the Executive Secretary replied that since we are a State agency, they establish the appropriations. Dr. Gloege then asked if they set it usually at the amount we request and Mr. Johnson said, "No". Mrs. Rice remarked that the legislature also appropriates federal funds. Mr. Corbin asked the Executive Secretary how much success do we usually have on what is requested and was told that it is usually cut 10 to 15 percent. Discussion then ensued on the lack of progress of the new computer system and what could be done to speed up the process.

The Executive Secretary's Report was reviewed and the Executive Secretary noted that one correction should be made in that the day he was in Billings was July 16 rather than July 23. Mrs. Rice questioned how many were there and was told that about 18 people attended and that they were agricultural experiment station people who have an annual meeting and that they rotate it each year in the cities where they have an agricultural experiment station.

Mr. Corbin then remarked that he was requested to speak to a group from the Hamilton, Corvallis, Darby areas and that there were around 25 people. Any questions he could not answer were referred to the Teachers' Retirement System.

Dr. Gloege then asked about the handbook and was told that they were at the printers with a deadline of August 15. Steve then remarked that he had just been advised that the handbook is done and copies should be received by the end of the week or early next week. The Executive Secretary stated that they are normally distributed with the member's statements of account. He further stated that only 16,500 copies were printed and that we have approximately 15,500 active members but with a legislative session upcoming, it was probable that a revised handbook would have to be printed. Mrs. Rice questioned whether that was going to be a sufficient distribution and whether or not the members are going to read it. Mr. Johnson stated that, in most cases, probably not. He further stated that we did have to revise the handbook due to the adoption of revised mortality tables. Mr. Kearns then remarked that the Board had past conversations about doint something to call their attention to the handbook, maybe a short synopsis. The Executive Secretary stated that Mrs. Rice had made the suggestion that a brief summary of the benefit provisions might be a good idea. Dr. Gloege and Mrs. Rice both agreed that it would be a good idea because everyone may not read the handbook but would read a summary. Dr. Wenaas stated that if the legislature does change things, it would be really important that a new handbook be printed. He further stated that a lot of people think they know something about this but that they are going back to old formulas and old ideas they heard 15 or 20 years ago.

Mr. Corbin suggested sending a letter in the "First Montana Schools" reminding people that a new handbook will be issued. Dr. Wenaas added that putting the summary in "Montana Schools" was not only an excellent idea but it would also be cheaper. The Executive Secretary reported that TRS received an overwhelming response from members wishing to purchase creditable service before the interest rate raised. This response was due mainly to the article in "Montana Schools", the MEA publication, and other educational agencies advised of the change. Mr. Corbin remarked that from what he had heard, everyone was well aware of the proposed change.

Chairman Burke then inquired as to the status of the Theodore Waddell case and was advised that it is still in litigation.

Attention then turned to new business and Chairman Burke noted that it is always during the July meeting that the Board is reorganized. Mrs. Rice made a motion that Mr. Burke be reappointed as chairman which was seconded by Dr. Gloege. Motion carried.

Chairman Burke then asked for nominations for vice-chairman and Dr. Wenaas moved that Dr. Gloege again be vice-chairman, seconded by Mr. Kearns. Chairman Burke, in answer to Mr. Corbin's question stated that these are one-year terms and the Board is reorganized every year.

Mrs. Rice then questioned the budget amendment in the Executive Secretary's Report and was told that it was to cover the actuarial costs incurred by the Legislative Interim Committee on HJR40. Our actuary, Mr. Hendrickson, had to do a lot of work to come up with the costs associated with the models proposed. Mr. Kearns questioned why TRS had to pay for this and Dr. Wenaas stated that the Committee requested it, so we asked for a supplemental appropriation and got it; therefore, the budget was increased $2068.00. Mrs. Rice understood that the $2068.00 would come out of next year's budget and the Executive Secretary said, no.

Chairman Burke then requested that the Executive Secretary report on the 8th quarter leave request from MSU. The Executive Secretary read the letter from Thomas Nopper, Director of Administration, in which he requested that the Board consider using the lump sum payment of 8th quarter leave in the calculation of benefits. Dr. Gloege stated that when 8th quarter leave was phased out at Eastern, everyone was dumped at one time. The Executive Secretary reported that apparently they didn't do that at MSU and according to information he had received, there were about twenty people left. Dr. Wenaas felt that the problem was that during the time they were on 8th quarter leave, they received their salary and paid into Teachers' Retirement. The Executive Secretary then stated that their request was for the people who didn't take 8th quarter leave and who are retiring, are getting it in a lump sum, and they want it used in the calculation of their retirement benefit. He further stated that the only precedent he could find in regard to 8th quarter leave was action taken by the Board in 1971 when they denied Earl Fellbaum use of paid leave. He further stated that with the change in our law in 1977, there was a question as to whether it should be included. Mike Young had also been contacted by the Executive Secretary and Mr. Young said that since it is a contractual agreement, it probably should be included. Dr. Wenaas suggested writing a letter and find out why this has happened. The policy statement of the Board of Regents was then read by the Executive Secretary. Further discussion ensued and it was resolved on a motion by Dr. Wenaas that the Board of Regents be written a letter with a copy to Mr. Nopper in which information be requested as to why MSU is the only unit left with 8th quarter leave. Dr. Gloege seconded the motion. Motion carried.

Chairman Burke then inquired as to when the Board would meet again. The Executive Secretary stated that the Board has requested a meeting with the Board of Investments and Jim Howeth suggested that both TRS and PERD meet some time in October.

Dr. Wenaas then expressed his concern about upcoming legislation and the fact that an October meeting might be a little late to resolve legislation or budget problems. The Executive Secretary then suggested a special legislative meeting. It was also suggested by Mr. Corbin that the Board of Regents have a representative attend our October meeting to have a face to face meeting.

The Executive Secretary then stated that some members of the Legislative Interim Committee might be attending the meeting to hear the discussion on severance pay and that 10:30 was scheduled. Since the representatives were not there yet, attention focused on Montcomp, in which the Executive Secretary explained that a common stock pool had been established and now instead of giving actual shares of common stock, that much like a mutual fund, units would be purchased. This was to allow smaller State agencies and funds to participate in common stock where more appreciation may be realized than from fixed investments. Mr. Howeth, Board of Investments, requested, in a letter, that the Minnie Fullam Fund be allowed to participate and was seeking authorization from the Board. Mr. Kearns moved that the Minnie Fullam Fund be allowed to participate which was seconded by Mr. Corbin. Motion carried.

The lease agreement between TRS and Architecture and Engineering was then discussed in which the Board was advised that we will be receiving $5.67 per square foot and the Executive Secretary wondered whether the Board felt there was adequate compensation. Chairman Burke offered to contact a local real estate person knowledgeable in the area and the discussion was tabled.

A delegation then entered the meeting, comprised of Senator William F. Hafferman and Representatives William Menahan, James Schultz, and Ralph Eudaily from the Interim Committee on HJR40, and several other interested parties, to hear the discussion on severance pay. The Executive Secretary then gave some background information on the Severance pay in which he explained that whenever sick leave and vacation pay are part of the contractual agreement and it is paid in a lump sum, it must be used in the calculation of the final average salary. This results in creating a liability to the System because contributions are not received until the final year or last year of a member's employment. Jim McGarvey of the MFT stated that the Retirement Board is allowing the actuary to zero in on just one of these inequities and that the Board should be more sympathetic toward the classroom teacher whose salary is not as large as those people on a 12-month contract and that the Board should not focus on one small aspect of the total inequity process and label that as a funding problem to the System. Mr. Corbin stated that at the last meeting, he requested additional information as to a breakdown of the information contained in the valuation and that he has not yet seen this information. Several retired members then testified that they did not have the advantage of lump sum payments in the calculation of benefits and that sick leave should be regarded a privilege, and that they would like to see the System remain actuarially sound to protect current, as well as future, benefits. Chairman Burke felt that this is the time we should be considering legislation and that some of the games that have been played in the past are not fair and we should try to control what is contracted salary. He also felt that the real concern is funding and he would like to see some way of funding the problem of severance pay. Representative Menahan mentioned that the Committee on HJR40 is looking at alternative or third sources of funding and to impress upon delegates the need we have to fund PERD, TRS, and the other retirement system.

Representative Schultz then asked if it would be possible for his group as a board or for the TRS Board to ask the school districts to pay a higher contribution percentage if they do have any type of bonus or gratuity payment. Chairman Burke remarked that if we passed this type of ruling, everyone would be mandated to pay whether they offered retirement incentives or not.

Dr. Wenaas then commented that the problem would be worse in future years and it is difficult for the actuary to predict what will happen. Mr. Corbin stated that the legislature would have to finally decide the issue and the Board would have to come up with a recommendation that has some clout and again he would like to have more information before any action is taken by the Board such as a comparison of what has happened in the last 3 years. Dr. Wenaas then stated that the Teachers' Retirement Board should not let outside organizations dictate retirement benefits and that further the Board has an obligation to pursue cost-of-living increases for retired members which will benefit us all eventually.

Eric Feaver of the MEA expressed his concern of other inequities such as free military service for WWII and Korea but not Viet-Nam; and the purchase of private out-of-state teaching and not private in-state school teaching. He further stated that the MEA does not believe any group should receive a benefit that is going to cause an unfunded liability to the System.

Chairman Burke commented that there should be no harm in some type of law that limits the salary and if this is not sufficient, consideration should be given to change the benefit formula.

Mrs. Rice suggested that as a practical matter, cost-of-living increases are a priority and that an additional funding request for severance pay would probably lose.

Dr. Wenaas further stated that the Board didn't want the retired teachers to leave with the idea that the fund is unsound because it is sound. The meeting then broke for lunch.

The meeting was called back to order and Chairman Burke suggested that attention be turned to the meeting with Morris L. Brusett, Legislative Auditor. Mr. Brusett then stated that the purpose of his meeting with the Board was to avoid any misunderstanding regarding the current audit since there was some confusion in the last audit. He explained the audit process and stated that the Board would have the opportunity to meet with the staff of the Legislative Auditor, preferably after the exit conference. He stated that in his conversation with his staff, most of the audit recommendations have been complied with and that the Administrator should be commended. He further stated that if there were any severe problems, they would be discussed with the Administrator and if there were any problems with the Administrator, they would be taken to the Chairman of the Board. Discussion ensued concerning the background of the people conducting the audit and Dr. Wenaas stated that the Board was very concerned abou the audit and its progress. Chairman Burke suggested that the auditors take into consideration funding problems and salary scales which in turn affect the successful operation of the office. Mr. Brusett then left the meeting.

Attention was then focused on naming delegates to attend the Annual National Council of Teachers' Retirement scheduled in Kauia, Hawaii, September 27, through October 4. The Executive Secretary stated that this is the only national conference related strictly to teacher retirement. Both Dr. Gloege and Mr. Corbin expressed some concern and that improvements are needed. Mr. Corbin moved that Dr. Wenaas and Bob Johnson be chosen to represent the Montana Teachers' Retirement System. Mr. Kearns seconded the motion and motion carried.

The Executive Secretary then reviewed the status of Madge Kampfe who retired in July, 1972, but was employed full time from September, 1973, through June, 1978, while drawing a benefit. Two letters had been written by Owen L. Morris, Jr., in 1973 advising Mrs. Kampfe as to what she was entitled to earn and Mrs. Kampfe denied receiving those letters. Mrs. Kampfe stated that it was not an intentional doing on her part and that she is sure the Board would be equitable in any decision reached by them. The Executive Secretary then advised the Board that Section 19-4-705 M.C.A., could be applied to this situation but would have to be referred to Alton Hendrickson for calculation of the actuarial equivalent. Discussion then followed and Dr. Wenaas made a motion that 19-4-705 M.C.A. be used. Seconded by Dr. Gloege and motion carried.

Chairman Burke then reported that he had contacted Vern Cougil in regard to rental costs in the Helena area since Mr. Cougil is a realtor and quite active in leasing property. Mr. Cougil advised Chairman Burke that currently there is an oversupply of rental property and that $7.50 to $8.00 per square foot seemed a reasonable figure. The Board stated that the Executive Secretary could negotiate future rent based on this information.

Regarding the Interim Committee on HJR40, the Executive Secretary reported that it looks very good from the standpoint that they are considering legislation to provide cost-of-living increases to retired members. The Committee planned to discuss today whether it would be an ad hoc type increase or an automatic. Alton Hendrickson, who was hired by the Committee, submitted a proposal based on the consumer price index and the average salary of all members of a particular retirement system. His only concern was that it was based on a 6 percent inflationary rate and in his opinion, he is not sure that inflation will ever be back down there again. Otherwise, the formula is very equitable in that it takes into account inflation and the raises in salary the active members get. He also stated that if the costs were provided in the form of an increased employee-employer contribution rate, the active member would only pay for that increase attributable to active members and not the costs related to retired members. He also advised the Board that at their last meeting, the Committee voted down consideration of consolidation of systems. Mr. Corbin asked that the Executive Secretary keep the Board apprised of the progress of this Committee along with any of his suggestions and ideas.

The Board then went back to the issue on severance pay, and the seven examples restricting severance pay submitted by the Executive Secretary were reviewed. Mr. Corbin then brought up other things he considered inequities such as university members working summers their last three years in order to increase the final average salary and going back to work one-quarter time while drawing a benefit. It was pointed out by Dr. Gloege that at least contributions were being received on time worked and that the law allowed an individual to receive up to one-fourth of their final average salary while drawing a retirement benefit and this law applies to all retired members not just university people. Mr. Corbin was still not convinced that severance pay was as much of an issue as it was being made and reiterated he would still like to see some more figures substantiating this. The Executive Secretary said that the valuation indicated $19 million of the unfunded liability was attributable to severance pay and that other inequities such as free military service, prior service, and out-of-state service for which only the employee contributions are received were taken into account in past valuations and constitute part of the unfunded liability. Discussion ensued about possibly changing the formula and providing a benefit in only the amount attributable to what the employee and employer paid in as well as possibly using a longer period of time in calculating final average salary. Dr. Wenaas pointed out that the present formula is what the members seem to want and provides them with assurance of the amount they are going to get and any changes backwards would result in considerable opposition.

Chairman Burke then suggested that we consider what we can allow with the funding we now have and asked that the Executive Secretary get together with Alton and come up with some figures that will limit it and submit these figures at the next Board meeting.

On the audit progress report, Mr. Johnson stated that he didn't have any comments other than the staff has worked hard on the recommendations and implementation of these depended a large degree on Steve and the other staff members. The Board then commended the Executive Secretary and Assistant Executive Secretary on the fine job in implementing the recommendations.

The letter from Winston Wetzel to the Board was then reviewed and the Executive Secretary reported that although Mr. Wetzel did retire prior to 1971, he was not eligible for a retirement benefit until he attained age 60, therefore, the benefit increases provided to members retired prior to 1971 applied specifically to those members receiving a benefit prior to July 1, 1971. Chairman Burke requested that the Executive Secretary write a letter to Mr. Wetzel stating that there is nothing the Board can do for him.

The case of Leona Lorenz whose disability was approved at the last meeting, was then discussed and the Executive Secretary noted that the attending physician's statement indicated that the disability illness was not diagnosed within one year of Mrs. Lorenz's termination and according to law, she would not be entitled to a disability benefit. The physician then submitted a letter which attested to the fact that the symptoms for multiple sclerosis were evident but that the disease was not diagnosed until later. Dr. Wenaas moved that the letter be accepted as evidence that Mrs. Lorenz's disability did occur within the legal limits. Mrs. Rice seconded the motion and motion carried.

The Executive Secretary then discussed the Richard Landis case in which Mr. Landis originally had asked that his disability be approved the first of the month following the month in which his sick leave expired. This was granted by the Board. Since that time, Mr. Landis died, and a letter was received from Mrs. Landis requesting that the effective date of disability be the first of the month following the month of the disability. She had stated that there was a misunderstanding in regard to the sick pay Mr. Landis would receive from MSU at the time of the original request. The Executive Secretary said that by going back to the original effective date, the benefit would be reduced and would not be a cost to the System. Dr. Gloege moved that the request be granted which was seconded by Dr. Wenaas. Motion carried.

The Sharon Booth disability was then discussed. The Board had requested that her disability be reviewed within six months. On the basis of the additional information provided, Mrs. Rice moved that the Board continue the disability, Mr. Corbin seconded the motion and motion passed.

The Executive Secretary then discussed Dorothy McKinnon Brown who had 11 years of part-time service with the University of Montana. In her letter, Mrs. Brown indicated that in 1972, she had written for a withdrawal and was advised by Owen L. Morris, Jr. that she had a vested right and would be eligible for a benefit at age 60 in the amount of $52.38. It was later discovered that her employment was on a 1/3 basis and 11 years of 1/3 time did not constitute 5 years of creditable service; therefore, the Executive Secretary denied her request for a retirement benefit but said he would bring it to the Board's attention. Mrs. Rice moved disapproval on the basis that she did not have 5 years of creditable service. Dr. Gloege seconded the motion and motion carried.

Report on the NCPERS Conference in Orlando, Florida, was given by Chairman Burke and Mr. Johnson. The main concern of the Conference was mandatory Social Security and the resulting consequences. Dr. Gloege asked if there was any discussion about eliminating people from Social Security who have other retirement plans? The Executive Secretary said these "windfall" arguments are being used to further the coverage and people are counter attacking by requesting that the federal government get their own house in order before subjecting state retirement systems to a mandated coverage.

Regarding legislation, the Executive Secretary discussed Senator Regan's proposed legislation to limit the cost of leave to the salary the member would have earned during the leave rather than the first year's salary following the leave. The Executive Secretary expressed concern about being able to document the salary they would have earned for someone who left to raise a family or try another profession and then return to teaching. Dr. Gloege added that a member would recover the cost of the leave many times over in retirement and that the member goes on leave on free choice fully aware of the situation. The Executive Secretary stated that the Board would have to take a position on the bill since it was being drafted. Mrs. Rice stated that the Board should never support legislation until it has been written. Senator Regan had expressed a desire to work with the Board on this piece of legislation and the Executive Secretary reported he would write Senator Regan a letter expressing the Board's concerns.

Also, under legislation, the Executive Secretary questioned the current disability provision which apparently allows an individual to receive a disability benefit and remain on the payroll until sick leave has expired. Mrs. Rice suggested that there should be some kind of plan to look at how legislation is to be handled. It was decided that a legislative meeting be held in September and all interested agencies be invited to share their views with the Board. The Board instructed the Executive Secretary to establish an agenda of proposed "housekeeping legislation". Chairman Burke suggested that if anything else comes to the attention of any of the Board members, they call the Executive Secretary.

Dr. Gloege then moved that the Board approve the following applications for retirement and survivor's benefits. Dr. Wenaas seconded the motion. Motion was approved.

RETIREMENT APPLICATIONS - AUGUST 1979	AMOUNT	AGE
Terwolbeck, Ruth	136.95	60
RETIREMENT APPLICATIONS - DECEMBER 1979		
Hein, Dorothy	93.23	62
RETIREMENT APPLICATIONS - FEBRUARY 1980		
Hatch, Lydia (retroactive to 7/1/75)	97.43	62
Luhrsen, Shirley (retroactive to 7/1/79)	250.33	57
Oliver, Raymond B. (retroactive to 8/1/80)	579.89	62
Solazzi, Ruth A. (retroactive to 7/1/78)	288.00	58
RETIREMENT APPLICATIONS - MARCH 1980		
Davis, Frances R. (retroactive to 7/1/78)	142.90	61
Evans, William R. (retroactive to 3/1/76)	115.43	60
Fagan, Dick V. (retroactive to 9/1/79)	63.61	60
Heliker, Betty	293.55	60
Holterman, Rudolph J. (retroactive to 7/1/78)	339.64	63

SURVIVOR BENEFITS - MARCH 1980	AMOUNT	AGE
Faurot, James L.	844.47	56
(s) Betty Faurot		
Gardner, Ruth B.	269.60	60
(s) Raymond C. Gardner		
Hendrickson, Marjorie	256.07	55
(s) John H. Hendrickson		
Pepper, Mildred	579.31	81
(s) J. H. Pepper		
RETIREMENT APPLICATIONS - APRIL 1980		
Ashton, Cecile	85.20	60
(retroactive to 4/1/76)		
Hahn, Barton	1,007.73	65
Messmer, Irene M.	175.12	60
(retroactive to 6/1/79)		
Speelman, Helen	98.15	55
Therriault, Antonia	417.44	67
Wark, Lillie Mae	919.69	63
RETIREMENT APPLICATIONS - MAY 1980		
Reeves, Fern A.	86.69	56
(retroactive to 4/1/80)		
Reilly, Mary G.	604.97	64
(retroactive to 3/1/80)		
Stevens, Arleen L.	79.33	55
Stevens, Betty	73.33	55
Unterseher, Arnold W.	427.80	55
RETIREMENT APPLICATIONS - JUNE 1980		
Bozarth, Gloria	212.63	56
Massey, Anne	365.55	63
Watts, Janet L.	167.56	55
(retroactive to 8/1/75)		
Wright, John	83.33	60
RETIREMENT APPLICATIONS - JULY 1980		
Adams, Naphie E.	615.52	64
Adams, Patricia	167.97	55
Anders, Helen C.	510.75	64
Annala, Mary Jane	580.00	62
Austin O. Burke	1,409.39	60
Baker, Irene R.	1,027.18	63
Bakken, Helen	619.76	66
Beaumont, Beverly J.	1,087.71	53
Bell, Richard S.	1,050.87	52
Betts, Patricia L.	763.93	51
Billingsley, Dorothy C.	697.48	66

RETIREMENT APPLICATIONS - JULY 1980 (con't)	AMOUNT	AGE
Boundy, Irma M.	477.75	62
Bowman, Charles C.	1,175.26	56
Bratton, Phillip H.	857.23	54
Brisbin, Marguerite R.	639.89	65
Burlingame, William K. (retroactive to 7/1/79)	280.61	63
Campbell, Inga L.	285.72	60
Cascaden, Charles L.	1,140.34	59
Caughlan, Charles N.	1,543.79	65
Challender, Ralph C.	1,221.06	58
Christensen, Arthur D.	773.25	53
Collins, Albert R., Jr.	1,416.94	54
Culver, Gwen	453.52	65
Dahlstrom J. Neil	923.06	59
Dale, Helen M.	677.12	59
Davis, Marjorie	660.79	63
DeHaas, John N.	845.16	54
Devries, Geraldine	552.69	64
Drenth, Henry A.	668.89	61
Dutcher, James L.	1,485.65	62
Egge, Ann J.	426.59	63
Eliason, Carrol A.	1,118.20	55
Elliot, Archie J.	1,059.46	56
Field, Vernon	758.45	54
Fink, Clara S.	748.05	62
Forsythe, Mae O.	120.52	58
Fossum, Dorothy L.	552.37	60
Fowlkes, Mary B.	833.37	59
Friend, Jeannette P.	588.42	62
Garrison, Minnabeth	517.80	62
Gerry, Henry E.	1,384.68	60
Getchell, June C.	403.12	60
Gibson, Mary H.	180.31	63
Giesey, Ruth	618.18	59
Glover, Olive M.	246.63	65
Goldham, Margaret A.	460.96	63
Gollehon, Eleanor B.	420.20	62
Goodhart, Roberta D.	1,127.69	63
Gosman, Richard	618.66	55
Grosskopf, Agnes	189.55	68
Hall, Eleanor E.	451.59	58
Hannon, Irma Jean	937.20	57
Hansen, Lena E.	888.99	62
Hanson, Carl H.	908.00	54
Harris, Bernice E.	782.59	62
Hemmy, Darle L.	826.87	55
Herbst, Thelma	463.63	55
Herbst, Leonard	1,109.99	58
Hickey, Minnie S.	509.60	67
Hinkley, Adonis	1,412.38	54

RETIREMENT APPLICATIONS - JULY 1980 (con't)	AMOUNT	AGE
Hofmann, Ernest H.	1,169.25	58
Holzum, Audrey	836.11	65
Horton, Merriman D.	861.16	61
Howell, Lois D. Corsant	592.84	60
Howlett, Jean E.	220.83	62
Hoyt, Clayton E.	708.76	55
Jay, Robert H.	1,247.12	62
Johnston, Matilda M.	967.23	65
Kelly, Petronella	431.81	64
Kenny, James J.	90.49	55
Kingery, Donald B.	1,704.35	62
Lafond, Lloyd J.	875.71	66
Nelson, Synneve A.	945.95	60
Lagerquist, Eugene V.	1,605.27	58
Lantz, George	703.37	56
Lillegard, Robert J.	496.07	59
Lisenby, William E.	1,059.30	58
Locke, Vernon E.	929.14	56
Loewen, Bessie G.	94.79	64
Lott, Leo B.	1,195.91	61
Marsh, Isabel K.	698.93	66
Mayer, Edna R.	678.78	59
McCollum, Florence S.	639.47	64
McDermott, Josephine M.	970.44	66
McLaughlin, Grover R.	857.51	56
McMeekin, John A.	1,018.03	56
Mitchell, Alpha M.	617.97	67
Moffatt, Mary M.	663.27	66
Moulton, Eugene R.	403.92	64
Murray, Charles A.	777.28	54
Murray, Jean E.	329.39	61
Myers, Shirley M.	661.37	55
Nelson, Dorothe	1,038.95	62
Newton, Roland B.	845.36	55
Nissen, Gladys A,	605.64	60
Olson, Gertrude M.	1,269.41	63
Olson, Maynard A.	1,993.04	59
Osborn, Ruth E.	1,067.36	61
Oviatt, Alton B.	1,241.48	66
Paris, Ethlyn	902.33	65
Parker, Doris E.	620.43	57
Patrick, Bruce	909.24	58
Patrick, Fern J.	667.69	62
Peery, Lorys	631.31	59
Permoda, Blanche	898.51	63
Ramberg, Wilbur Vance	984.89	51
Ramey, Kathleen	986.72	63
Rapp, Arthur G.	866.72	55
Reuter, Robert	840.69	57

RETIREMENT APPLICATIONS - JULY 1980 (con't)	AMOUNT	AGE
Reynolds, Mildred	487.10	62
Richert, Ruby	268.84	60
Robertson, Stanley D.	1,054.37	56
Rollins, Beverely S.	427.88	63
Rooley, Fred E.	1,560.53	63
Ryerson, Donald E.	1,088.88	57
Safratowich, Elinore A.	527.46	55
Safratowich, Laudie R.	985.32	56
Schendel, Chester B.	803.57	61
Schwank, Walter C.	1,017.12	68
Secor, Mamie	458.40	65
Sederstrom, Selma E.	603.45	61
Shovic, Katherine	550.30	61
Siemens, Rosemary	588.03	65
Skones, Ellen E.	847.52	62
Smith, Warren J.	655.24	62
Sperry, Muriel E.	520.58	62
Spraggins, Rose P.	818.62	62
Sprinkle, Elizabeth A.	500.35	62
Sprout, Herbert	626.99	63
Stafne, Dorris M.	934.17	60
Stahley, Doris J.	672.76	60
Stein, Helen	752.30	64
Stetzner, Florence M.	544.10	61
Stoner, Dorothy K.	959.18	58
Swanson, Florence M.	574.59	65
Swope, Mildred N.	380.25	62
Taylor, Ella Bunn	186.13	63
Thompson, Lyonald H.	923.27	51
Tippets, Russell J.	880.39	59
Tucker, Arthur R.	579.89	55
Walter, William G.	1,726.10	66
Watling, Harold	1,305.81	63
Wiederhold, Virginia W.	668.13	65
Wiens, Roland	707.33	54
Winchell, John A.	923.28	55

Dr. Gloege moved that the disability application for Altie Dudden who has multiple sclerosis be approved. Dr. Wenaas seconded.

Dr. Gloege moved the Board grant disability to Lucille Hilderman who has anular cancer of the duodenum. Dr. Wenaas seconded.

Mr. Corbin moved that the Board grant disability for Sydney Kurland who has suffered a stroke. Dr. Gloege seconded the motion.

Mrs. Rice moved the Board grant disability for Earl Ringo, suffering from a cerebral hemorhage. Dr. Wenaas Seconded.

Mr. Corbin moved the Board grant disability for Patsy Schroeder who suffers vision loss due to diabetes. Dr. Wenaas seconded.

Mr. Corbin moved that the Board grant disability for neal sullivan who suffers from a heart condition. Mrs. Rice seconded.

Mr. Corbin moved that the Board grant disability for Shirley Summers who has rheumatoid arthritis. Dr. Wenaas Seconded.

Dr. Gloege moved that the Board approve disability for James Allen Webster who suffers from retinitis pigmentosa. Mr. Corbin seconded.
Mr. Corbin then questioned a portion of the minutes of the last Board meeting in which he requested the legality of the Board of Investments assuming the accounting of the mortgages. The Executive Secretary replied that he had checked with Mike Young and that the final legal responsibility for all investments probably rests with the Board. Mr. Corbin then referred to the minutes of the last meeting in which Mrs. Rice requested written verification from the Montana Retired Teachers on consolidation and opposition to 25-year retirement. Mr. Erickson had said that he would have Mark Jennings, President of MRTA, provide this. The Executive Secretary advised that this had not been received. Dr. Gloege added that they opposed consolidation and the questions seem to have been resolved.

Mr. Corbin again requested additional information on severance pay as to documentation relating to increasing the unfunded liability and he would appreciate receiving this information.

Mr. Corbin then requested that the minutes be made available as quickly after the meeting as possible.

Dr. Gloege then moved that the meeting be adjourned which was seconded by Mr. Corbin.

James E Burke

James E. Burke
Chairman

F. Robert Johnson

F. Robert Johnson
Executive Secretary

RESOLUTION NO. 73

WHEREAS, MCA 19-4-501 (4) 1979 required that "The state treasurer is the custodian of the collected retirement system moneys and of the securities in which the moneys are invested. All expenditures from the moneys may be made only upon claims signed by two persons designated by the retirement board. A properly attested copy of a resolution of the retirement board designating such persons and bearing on its face specimen signatures of each person shall be filed with the department of administration as its authority for approving such claims."

RESOLVED, that the Teachers' Retirement Board hereby designates F. Robert Johnson, Executive Secretary, and Mary L. Andridge, Assistant Executive Secretary, whose signatures appear below, to sign all claims for expenditure of moneys on deposit with the state treasurer for the account of the Teachers' Retirement System.

F Robert Johnson
F. Robert Johnson
Executive Secretary

Mary L Andridge
Mary L. Andridge
Assistant Executive Secretary

James E. Burke
Chairman

Harold Wenaas

J. William [illegible]

Georgia Rice

LeRoy A. Corbin

ALTERNATIVE METHODS OF UTILIZING SEVERANCE PAY IN THE CALCULATION OF BENEFITS

In the following examples certain assumptions are made:

1. Individual retiring has 26 years of service.
2. Final three salaries are $14,000, $15,000 and $16,000, or an average of $15,000.
3. Eligible for a maximum of 100 days severance leave.
4. School year equals 187 days.
5. Daily rate of pay last year employed = $85.56 ($16,000 ÷ 187).
6. Accumulates severance pay of 12 days per year maximum = 100 days.
7. Benefit without severance pay would be $541.67 (26/60 x $15,000 ÷ 12).

EXAMPLE I

Utilizing all severance pay as an addition to the final salary of $15,000.

FINAL AVERAGE SALARY	$14,000.00
	15,000.00
	16,000.00
	8,556.00
	$53,556.00
÷ 3=FINAL AVERAGE SALARY	17,852.00
÷12=MONTHLY AVERAGE SALARY	$ 1,487.67
26/60 x $1,487.67 =	$ 644.66

INCREASE ATTRIBUTABLE TO SEVERANCE PAY = $102.99 or 19% increase

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EXAMPLE II

Dividing severance pay by number of years with employer to determine yearly severance pay and then adding it in final average salary.

$ 8,556 ÷ 26 = $329.08
$15,000 + $329.08 = $15,329.08 ÷ 12 = $1,277.42

26/60 x $1,277.42 = $ 553.55

INCREASE ATTRIBUTABLE TO SEVERANCE PAY = $11.88 or 2.2% increase

EXAMPLE III

Utilizing severance pay attributable to last three years of employment only.

12 x 3 = 36 days

36 days x 85.57 = 3,080.16 ÷ 3 = 1,026.72
$15,000 + 1,026.72 = $16,026.72 ÷ 12 = $1,335.56

26/60 x 1,335.56 = $578.74

SEVERANCE PAY INCREASES BENEFIT $37.07 monthly or 6.8%

EXAMPLE IV

Giving creditable service for severance pay rather than utilizing the dollar amount as an addition to the last year's salary.

100 days severance = .53 years creditable service
(100 ÷ 187 = .53)
26 + .53 = 26.53 years of service

26.53/60 x 15,000 ÷ 12 = $552.71

SEVERANCE PAY INCREASES BENEFIT $11.04 or 2%.

EXAMPLE V

Limiting severance pay to 20% of the last year's salary.

$16,000 x 20% = 3,200 ÷ 3 = 1,066.67
15,000 + 1,066.67 = 16,066.67

26/60 x 16,066.67 ÷ 12 = $580.18

SEVERANCE PAY INCREASES BENEFIT $38.51 monthly, or 7%.

EXAMPLE VI

Limiting severance pay to a dollar amount, or $2,500

26/60 x 17,500 ÷ 12 = $631.94

SEVERANCE PAY INCREASES BENEFIT $90.27 or 16%

$2,500 ÷ 3 = $833.33
15,000 + 833.33 = 15,833.33

26/60 x 15,833.33 ÷ 12 = $571.76

SEVERANCE PAY INCREASES BENEFIT $30.09 or 5.5%

EXAMPLE VII

Use the days and dollar amount of severance pay to replace a lesser salary used in the calculation of the final average salary.

$14,000 ÷ 187 = 74.87 daily rate of pay
15,000 ÷ 187 = 80.21
16,000 ÷ 187 = 85.56

100 days severance pay at a salary of $16,000 will replace 100 days at a salary of $14,000 as follows:

87 days @ 74.87 (daily rate for 14,000 salary)= 6,513.69
187 days @ 80.21 (daily rate for 15,000 salary)=15,000.00
287 days @ 85.56 (daily rate for 16,000 salary)=24,555.72

TOTAL FINAL AVERAGE SALARY 46,069.41
÷ 3 15,356.47

26/60 x $15,356.47 ÷ 12 = $554.54

SEVERANCE PAY INCREASES BENEFIT $12.87 or 2.4%

[redacted]

Visitors List Board Meeting July 23 1980

G. V. Erickson	411 - 3rd Bozeman	Nat Retired T.
Eric Feaver	901 Flowerree Helena	MEA
Gladys V. Johnson	3229 - 4 Av. S. Gt. Fl. Com. NRTA-AARP	Gt. F.
John Malee	401 - So Excelsior Butte	M.F.T
Jim McGarvey	Box 1346 Helena, Mont.	MFT, AFC
Rose Mary Anseth	1708 - 4 Ave So Gt. Falls	Retired Teacher
Olga O. Keen	3320 - 11 Ave S Great Falls	Ret. Teacher
Mark Jennings	2531 Olsen Dr. Missoula Mt	Pres. [illegible]
Jim Schultz	1210 - 7th Ave Lewistown	MEA
William J. Hafferman	411 Belknap Libby Mt	Senator Dist 11
Genevieve S. Adair	1014 Bedford St. Helena Mont.	Ret. Teach.
Arnold G Erickson	1006 Allison Ave, Helena	Nat'l Retired Teacher

PROGRESS REPORT OF
AUDIT RECOMMENDATIONS
as of July 9, 1980

1.A. Provide adequate supervisory review of manual calculations until the division has the capability of using the membership system to calculate refunds.

We are currently utilizing the administrative aid to review refunds for 1978-79 and 1979-80. In addition, by calculating the refunds from a computerized listing of contributions posted to date, we have eliminated the many manual calculations that resulted in errors found in the previous audit. We have considered utilizing the system to calculate the refunds, however, in order to assure timely processing of refunds, it would be necessary to update the master file twice a month which in turn would just about double our monthly data processing costs. Our administration budget is not sufficient to absorb increased data processing costs.

1.B. Develop written procedures concerning calculation of interest on refunds.

A written procedure has been developed and provided to the employee responsible for the refund process.

2. Develop an approach to processing teacher transfers that will not affect the timeliness of further processing membership records.

Maintaining the posting of member contributions on a current basis has eliminated the problem.

3. Require all school districts to furnish contribution data in a format that is efficient to process.

All agencies who were previously reporting on their own format are now either providing us with information on cards, diskettes, or magnetic tape. Those who did not have the capability to utilize the above-mentioned formats are utilizing our monthly billing form.

4. Review staffing requirements for the membership system and determine if realignment of personnel is necessary to assure timely processing of the system.

The system has been maintained on a current basis and any problems indicated have been rectified by changes in personnel.

5. Incorporate in the new automated membership system, a benefit cycle that will calculate and monitor retirement benefits.

5. (continued)

We did not concur in this recommendation, however, it has been provided in the proposed new system.

6. Design the new membership system to provide the information necessary to ensure adequate accounting control.

This is well documented in the project definition report and "Project Objectives" of the Phase III Project Definition Report.

7. Develop and maintain a user's operations manual for the membership system.

Our accountant has commenced work on an operations manual, however, we do not consider this a critical factor in maintaining the system on a successful operating basis.

8. Establish disaster file retention procedures that will adequately back up the division's membership computer file.

This recommendation has been implemented through a contract with Information Systems Division.

9. Correct erroneous information in the membership system.

This is an ongoing process within the system. Whenever a member's file is pulled as a result of correspondence, we routinely check the service shown on the computer record with that in the file and any corrections to service are made at that time. Missing birth date or beneficiary information is being corrected by checking each member account statement. Those statements which disclose no beneficiary or birth date information are then checked with the personal file and the missing information is then input into the system. If there is no membership form in the file, the member is then sent a blank form for completion. We have also requested that the actuary furnish us with a listing of invalid data he has found in performing the valuations. As of this date, we have not been provided with the data.

10. Legislation be enacted to eliminate the required maintenance of the Annuity Reserve.

We intend to implement this recommendation, however, nothing can be done until the legislature convenes in 1981.

11. Determine the proper disposition of the $98,762,837 balance in the unallocated reserve and make distribution to the appropriate accounts.

This recommendation has been implemented.

12. Review monthly accounting reports for reasonableness and correct all errors noted on a timely basis.

The administrative aid is reviewing monthly accounting reports to reconcile what has cleared SBAS and logging this information. The accountant also reviews the monthly report for possible erros.

13.A. Implement the full accrual basis for accounting for financial statement reporting.

This recommendation will be implemented by the accrual deadline.

13.B. Require the independent actuary to provide the effect of any changes in actuarial assumptions on the financial statements, and disclose such effect in the financial statements.

This recommendation was referred to the actuary and it was agreed that this information would be provided.

14.A. Deposit daily all contributions received when the total exceeds $500.00.

This is being done, however, timeliness of the deposits is also dependent on receipt of the mail at a reasonable time.

14.B. Cross-train employees so that the duties associated with depositing contributions can be rotated during employee absence.

This is being done; however, maintaining continuity of this aspect is dependent upon retaining trained personnel.

15. Follow-up on a timely basis of delinquent contributions.

A policy has been developed whereby the delinquent agency is notified if their report is not received by the 15th of the month in which it is due. An agency report not received within ten days of the letter is then followed by a telephone call to the reporting official. In many instances, it is necessary to contact the superintendent or school board chairman. The Teachers' Retirement Board has been reluctant, in the past, to pursue legislation which would impose a fine or interest penalty and this would have to be accomplished through legislation.

16. Update member files to ensure that they contain current information and are properly filed.

Active members files have been reviewed and where misfiling has been found, it has been properly filed.

17. Correct internal control weaknesses.

17.A. Daily contribution receipts are not recorded on a daily basis indicating the total amount collected and the disposition made thereof in accordance with Section 2-1210.24 MOM.

The accounting clerk is recording the amounts and number of the collection reports on the document numbering log and the administrative aid is checking the SBAS reports to see when the documents clear and that the amounts recorded on SBAS match the amounts of the document log.

17.B. Contribution checks are not restrictively endorsed until after the deposit ticket has been prepared. According to Section 2-1210-21 MOM, negotiable instruments should be restrictively endorsed at the time of initial receipt.

The office clerk is now restrictively endorsing the checks at the time the mail is opened and prior to transmitting the checks to the accounting clerk.

17.C. There is inadequate separation of duties in the processing of the membership system and the accounting records. The division collections clerk prepares treasury deposit tickets, prepares collection reports and controls input contribution batches, verifies that contributions equal remittances, and submits the contribution data to keypunch which then updates the membership system. The accounting supervisor adds, deletes and changes member activity in the system in addition to controlling all operations of the membership system. The supervisor also prepares and approves accounting documents.

Section 2-1210.51 MOM and adequate internal control procedures require that a segregation of duties be maintained between the processing of subsidiary detail ledger activity and the handling of cash transactions and the processing of accounting records.

A reconciliation between SBAS and the membership system is performed monthly to reveal any wrongdoing by the accounting clerk.

The accounting supervisor is currently being relieved of her duties concerning the membership subsystem.

The assistant administrator reviews the SBAS reports monthly to check for any figures that look out of the ordinary.

17.D. The locks to TRD's building were last changed in 1973. The file locks and combinations to the vault have not been changed for at least five years. We observed that the box containing extra building keys is left unlocked and is accessible to anyone. Also, the checkout list for the building keys indicates that two keys are lost. Section 2-1210.26 MOM requires that keys and combinations should be changed when personnel having possession or knowledge of them transfer out of the agency.

17.D. (continued)

The locks to the TRD building were changed shortly after the previous administrator terminated employment. The key to the key box is now stored on a key hanger installed in the vault and the key box is locked at all times. Terminating employees are required to turn in keys to the building prior to leaving. File locks have not been changed and in our view, the material stored in these files does not justify changing the locks. The key to the files is stored in the vault during nonworking hours and the vault is locked during nonworking hours. We have not changed the combination on the vault at this time.

17.E. TRD does not reconcile changes in total monthly pension benefits to authorization for such changes. A reconciliation of changes to authorization is an internal control over the propriety and accuracy of changes made in benefit and refund payments.

Although we agree with the above recommendations, we have had Information Systems survey the changes necessary and find that extensive modification would have to be made at a cost of $1800.00. Our 1979-80 budget was not sufficient to absorb these costs. A budget ammendment was submitted to the Office of Budget and Program Planning and subsequently denied. This recommendation has been requested in our proposed new system and if funds are available during the 1980-81 fiscal year, the recommendations will be implemented. The monthly balancing of membership accounts provides control over the refunds written.

TEACHERS' RETIREMENT BOARD

SPECIAL LEGISLATIVE MEETING

September 25, 1980

The meeting was called to order at 10:00 a.m. on September 25, 1980, by Chairman Burke. Those present were:

James E. Burke, Chairman
LeRoy A. Corbin
J. William Kearns, Jr.
Georgia Rice
Dr. Harold Wenaas
F. Robert Johnson
Mary L. Andridge

The first item on the agenda was consideration of eliminating the ARF. The Executive Secretary explained that the last audit report recommended that the Teachers' Retirement System eliminate the ARF fund and since it is established by statute, legislation would have to be drafted to delete the fund and provide that all annuities and pensions be paid entirely from the Pension Accumulation Fund. He went on to explain that when a member retires, the account balance is transferred from ASF (Accumulated Savings Fund) to ARF (Annuity Reserve Fund). That portion of the member's benefit attributable to the member's account balance is then paid out of the ARF and the balance of the benefit paid out of PAF (Pension Accumulation Fund). Dr. Wenaas asked how long do you leave it there? The Executive Secretary answered that it is paid infinitely when actually when the account balance expires, the entire benefit should be paid from PAF. Mr. Kearns moved that the ARF fund be eliminated and that the necessary legislation be drafted. This was seconded by Mr. Corbin. Motion passed unanimously.

The next item on the agenda was modification or clarification of the effective date of disability retirement. The Executive Secretary explained that it has always been administered that the effective date would be the first of the month following the month in which the member is actually disabled. In other words, if they were disabled in March, the effective date would be April 1. He then read the law from Montana Code Annotated, 19-4-901:

> "Upon the application of an active member or of his employer for a disability retirement allowance, any active member who has 5 or more years

> of creditable service may be retired by the retirement board the month immediately following the month in which his disability caused his retirement."

The administrative practice came under criticism from the legislative auditor due to the fact that in many cases the member is drawing sick leave from his or her employer and, therefore, not entitled to a benefit until his or her sick leave expires.

Mr. Corbin suggested that a member is drawing sick leave because he is waiting for the disability to be approved. He further stated that sometimes an individual must wait two or three months before the Board meets and could be without pay during that time so the only way he can eat and pay his bills is by taking sick leave.

Dr. Wenaas questioned whether or not the Board could delegate the responsibility to approve disabilities and have the Board ratify them at the next meeting. In reading the law, it was decided that only the Board could approve a disability application. Dr. Wenaas also questioned what is so bad about an individual getting both the benefit and sick leave at the same time? The Executive Secretary said that the member can also take the benefit in a lump sum in which case it would be added to the member's salary and increase the benefit. Further discussion ensued about possible legislation authorizing the Executive Secretary to give temporary approval and also with past audit suggestion that a doctor be retained and disability review committee created. The added expense and fact that normally one doctor will not refute another's opinion seemed to discourage that idea.

The Executive Secretary stated that disability cases are subject to an annual disability review to determine whether they are still disabled and whether the member is earning more money than provided by law. He further stated that if there is a change from the previous medical report, the case would be brought to the Board's attention.

Dr. Wenaas questioned whether it makes any difference to TRS whether the member receives retirement or disability? The Executive Secretary replied that the only advantage was for someone who has less than 15 years of service, the minimum disability benefit is 25% of average final salary.

Mr. Corbin then mentioned the situation in Washington where a member who has reached a certain point can trade back to the school district four sick days for one day's pay.

The Executive Secretary then stated that he would like direction from the Board as to whether they think TRS is following the law correctly? He said the auditors think a different interpretation should be applied and the Board could write legislation which expressly defines when a member becomes eligible. He stated that he discussed the law with Mike Young and Mr. Young felt the same way as the auditors.

Mr. Corbin then questioned if you delayed the benefit until after the sick leave expired, additional service credit would have to be given resulting in a larger benefit and ultimately a greater cost to the System.

Chairman Burke asked if an individual can put in an application to be effective the first day of the month. Mr. Johnson stated that there is a date on the disability application and the attending physician's statement to indicate when they were actually disabled and the date they actually ceased teaching, therefore, the effective date of retirement is the first of the month following that date.

Mr. Corbin made a motion that the Board make a statement that the Board feels it is properly interpreting the law and is practicing the right methods in complying with the law at the present time. Mrs. Rice seconded the motion. Motion carried with Dr. Wenaas abstaining.

Attention then focused on the law which requires two sigatures as authorized by the Board on every claim. The Executive Secretary stated that sometimes this is very difficult to comply with when either the Executive Secretary or Assistant is absent from the office. He also stated that he had prepared a resolution authorizing Mary Andridge to sign claims and presented the same for each Board member's signature. Discussion indicated that at least two signatures should appear on each claim and Mrs. Rice moved that a third signature be authorized and that to be the position of secretary. Mr. Kearns seconded the motion and motion carried.

Regarding Senator Regan's bill, the Executive Secretary referred the Board to copies of the rough draft which was sent to each member. He pointed out that the bill does two things: It changes the salary the System would use to calculate the cost of leave in that it would be based on the salary they would have earned had they not taken the leave; secondly, it changes the contribution rate from the rate in effect after completing 5 years of service subsequent to the leave to the contribution rate in effect during the leave. He went on to explain that currently the cost is based on the salary upon reentry into the System following the leave multiplied by the combined employee-employer contribution in effect at the time they become eligible to purchase the leave which is 5 years after they return. The problem of documentation of salary was raised and Mr. Corbin suggested leaving proof of documentation up to the individual.

Dr. Wenaas questioned what would happen if an administrator went on leave and came back as a teacher. Mr. Johnson stated that there is a provision in the bill that contributions may not be less than the annual compensation received by the member immediately before taking the leave.

The leave provision went into effect in 1971 when Alton Hendrickson was Executive Secretary and Mr. Hendrickson, who had been admitted earlier in the meeting, stated that because members were allowed to buy out-of-state service based on the first salary earned in Montana prior to leaving the State, it was an inequity because the teacher who stayed, paid more money than the person who went out of state and then came back. The Board took action to correct this inequity and specifically provided that the cost be based upon the salary they were making when they came back. This eliminated the administrative hassle in trying to figure out or project what the salary would have been. The Board did specifically take action in the early 70's to have the law written the way it is right now. It was then suggested that the effective date for the enactment of the bill be July 1, 1981. Mrs. Rice suggested that the documentation of proof of salary lies with the applicant. She further suggested that when the hearing comes up, that the bill be amended or give the amendment to Senator Regan and request her to amend it. Chairman Burke asked for any further discussion on Senator Regan's bill and suggested that at this point the Board is reviewing it and that they are considering an effective date of July 1, 1981.

The next item on the agenda was a review of the Legislative Interim Committee's cost-of-living proposal. The Executive Secretary then gave a graphic illustration of the formula which is 2/3(CPI-3%) X 1/2 of average salary of active members. He explained that the full increase would be given only to those members with 30 years of service with a proportionate reduction for less than 30 years. The advantages, he explained, are that the formula is geared to inflation and also tied to the current average salary of an active member. The main disadvantage is if inflation over the long period of time exceeds the 6% inflationary factor used in determining the costs, the formula would not be funded. Dr. Wenaas pointed out that with a 6% inflationary rate, you are getting 2% on 1/2 of the average salary of active members. The Executive Secretary then went on to explain that utilizing an inflationary rate of 14%, an individual who had 30 or more years of service would receive a monthly increase of $49.69 per month. He went on to say that the Committee has endorsed a third source of funding, however, they don't think a cost of living can be passed without a portion being funded by the employee. The formula would require additional contributions of 3.40% to be split among the employee, employer and a third source or 1.13% from each source. Due to the cost, the Committee is considering deferring the benefit only to those members who have been retired 3, 4 or 5 years.

Dr. Wenaas asked what the procedure would be if inflation continues at 14% per year? What would the Board have to do to rectify the deficiency.

Mr. Hendrickson pointed out that what he has assumed in the long run is that investment earnings will exceed inflation by 1% and although the System would be taking in $8 million, the outlay would be only $1 or $2 million and that we're talking about a long run situation. The formula's purpose was to keep the cost low but at the same time, provide a reasonable increase to those members who are receiving $200 per month. The majority of testimony provided the Committee was that they wanted a concept where everybody would be treated uniformly, once retired.

The Executive Secretary stated that Mr. Hendrickson is recommending a minimum benefit increase of $300 per month for someone who has 30 years of service. The Committee has also asked for costs on a minimum benefit of $400, $450 and $500 per month.

Mr. Hendrickson also pointed out that an automatic increase has the advantage of legally being able to pass part of the cost to active members where an ad hoc increase which has been the type previously granted does not.

Mrs. Rice wondered whether it was the MEA's position that the employer pick up the whole tab. The Executive Secretary responded that they haven't stated that.

Mrs. Rice then requested if the Board could direct the Executive Secretary to request Mr. Hendrickson to work out some costs on retirement before the 30 years or age 55 and that the Board receive a copy of the costs.

It was unanimously agreed that the Board would support Mr. Hendrickson's proposal on cost-of-living adjustment.

The next item considered was severance pay and the Executive Secretary stated that there were some questions brought up at the last Board meeting that they wanted additional information on severance pay and that he had included information on what had happened this year and with Mr. Hendrickson attending, perhaps the Board could direct specific questions to him.

Mr. Corbin asked the Executive Secretary if he knew how many active members in the System are classroom teachers. He passed on a suggestion that if retirement for a 12-month TRS member is based on 36 months, why isn't the retirement for a 9-month employee based on 27 months. Mr. Hendrickson interjected that if they were going to get one-third more, then their service credit should be reduced by one-third. He further stated that the biggest objection that the System would have financially is if a member contributed every year on a classroom teacher's salary and then the last three years, you got credit for your full salary without having to pay for it all of those years; that's basically what has happened with severance pay.

Dr. Wenaas then questioned why the members had to have the phoney severance, big fat kick at the end that is inflated and only half of the people get it, if you are going to get a cost-of-living index?

The Executive Secretary then explained to the Board what the New York State Teachers' Retirement System did because they had this same problem. They changed their definition of final average salary to practically eliminate any use of severance pay.

Mr. Hendrickson stated that approximately 3/4 of 1% is required to fund the severance pay at the rate they are going right now and that they could get worse.

Dr. Wenaas stated that the System is at the position where solvency is touchy and if the severance pay is allowed to continue, it could put the System over the financially-sound area and the Board should adopt a more conservative attitude. He further stated that he could personally handle some limits on the last three years if he could look at a cost-of-living adjustment down the road.

Mrs. Rice then suggested that the Executive Secretary prepare some examples of draft legislation and present them at the next Board meeting.

The disability application for Ruth Thorsen who has multiple sclerosis was reviewed. Dr. Wenaas moved for approval. Mr. Kearns seconded the motion and motion carried.

Meeting was adjourned at 12:40 p.m.

James E Burke

James E. Burke
Chairman

F Robert Johnson

F. Robert Johnson
Executive Secretary

__________ BILL NO. ______

INTRODUCED BY ____

A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION 19-4-403, MCA, REDUCING THE AMOUNT A TEACHER MUST CONTRIBUTE TO THE RETIREMENT SYSTEM TO EARN SERVICE CREDITS FOR EMPLOYMENT WHILE ON LEAVE; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 19-4-403, MCA, is amended to read:

"19-4-403. Creditable service for employment while on leave. A person applying for membership may also apply for creditable service in the retirement system for employment while on leave. The person shall be awarded creditable service, conditional upon his having been a member prior to his leave and upon his completing 5 years of active membership in Montana subsequent to his return, if his employment while on leave enhanced his teaching experience as determined by the board. The person shall be awarded creditable service as determined by the board in an amount not exceeding 2 years, if he contributes to the retirement system an amount equal to the combined employer and employee contributions ~~for his first full year's teaching salary earned in Montana after his return from leave for each year of creditable service~~ that would have been made to the

system had the member not taken leave plus interest at the rate the contribution would have earned had the contribution been in his account upon the completion of 5 years of membership service in Montana. ~~The contribution rate shall be that rate in effect at the time he is eligible for such service.~~ The compensation used in computing the combined employee and employer contributions may not be less than the annual compensation received by the member immediately before taking leave. The contribution may be made in a lump-sum payment or in installments as agreed between the person and the retirement board."

Section 2. Applicability. The amendment in section 1 applies to teachers completing leave on or after __________________.

-End-

TEACHERS' RETIREMENT BOARD

NOVEMBER 3, 1980 MEETING

The meeting was called to order at 9:30 a.m. on November 3, 1980, by Chairman Burke. Those present were:

James E. Burke, Chairman
LeRoy A. Corbin
J. William Kearns, Jr.
Dr. Harold Wenaas
Alve Thomas - Office of Public Instruction
F. Robert Johnson
Mary L. Andridge

The minutes of the meeting of July 23, 1980 and the legislative meeting of September 25, 1980 were approved by Dr. Wenaas, and seconded by Mr. Kearns.

Chairman Burke proposed that the order of business be revised to accomodate representatives from the Commissioner of Higher Education and Montana State University on the eighth quarter leave matter. Dr. Irving Dayton, Mr. Thomas Hopper and Dr. Joe Asleson were admitted to the meeting.

Mr. Nopper opened by giving a brief history of the eighth quarter leave by explaining that it was an old concept and had been in existence for many years. It was approved by the Board of Regents and was first a privilege but later became a right of the employee when the Board of Regents converted contracts from fiscal year contracts to academic year contracts. When sabbatical leave was adopted, the Board of Regents decided to move away from the eighth quarter leave which provides a quarter of leave for each two years of employment with a maximum accumulation of two quarters. He went on to explain that Montana State University is the only unit within the University System that has these types of contracts and there are approximately 23 left. Dr. Wenaas questioned whether sabbatical leave was given at the beginning of the seventh year or at the end of the seventh year and Dr. Dayton replied that it was at the end of the seventh year. Dr. Wenaas then asked if an individual received less while on eighth quarter leave. Dr. Dayton explained that when an individual was on eighth quarter leave, the month by month salary was the same. Mr. Corbin then asked the Executive Secretary about members on 8th quarter leave and the Executive Secretary said that they received service credit while on the leave. Mr. Corbin then asked whether contributions are received for an individual who receives eighth quarter leave in a lump sum? The Executive Secretary stated that contributions were not required since the lump sum payment was not used in the calculation of benefits. He went on to say that Mr. Nopper is suggesting that some sort of recognition be given the lump sum payment in the calculation of retirement benefits since it is a part of their contract and that it either be used as additional salary or service credit. Mr. Nopper went on to say that he felt it was unfair not to recognize the time not taken by the individual. Dr. Wenaas added that it is a deferred income concept in that they receive it in a lump sum payment at the end but is not earned in the last three or four years. Mr. Corbin then mentioned the problem the Board is having with severance pay in that it is extending the funding period of our accrued unfunded liability and that eighth quarter leave is another form of severance pay. Dr. Asleson stated that no one has been hired on an eighth quarter contract since 1965. Discussion ensued around giving service credit or adding it in the last years salary and it was generally agreed that giving service credit would be less costly to the system. Dr. Asleson said that every year a few contracts are converted and eventually will be eliminated entirely. Dr. Wenaas asked if they did not have more of a legal right on the monetary aspect than the service approach and the Executive Secretary replied in the affirmative. Dr. Asleson stated the Board must look at its policy and the law. The Executive Secretary said that the only policy he was aware of was when Earl Felbaum retired he petitioned the Teachers' Retirement for additional service credit for eighth quarter leave and the Board denied the request. Mr. Nopper said that there is a problem in dealing with these employees on their retirement plans. Chairman Burke then stated the Board will give the matter due consideration and would contact Mr. Nopper regarding that decision. Mr. Nopper and Dr. Asleson then left the meeting.

The Executive Secretary explained that Dr. Irving Dayton was here to discuss with the Board a bill he had drafted regarding educational or certified leave. Under the current provision a member can buy up to two years of leave provided they were a member of the Teachers' Retirement System prior to the leave and returned to membership service for a period of five years. Dr. Dayton's bill would allow a member to buy an unlimited amount of leave and would be eligible after completing a year of service following the leave. Dr. Dayton wanted to make it clear that they are not talking about 8th quarter leave nor sabbatical leave. Their concern is for the person who retains an employment relationship but goes off the payroll. People in the field of engineering, science, and business will go to work for an individual company with the idea that it enriches the background and makes the individual a better teacher or researcher when they come back to the institution. Dr. Dayton emphasized that it is not the intent to jeapordize the financial soundness of the system. He went on to say that they are looking at a stabilized faculty and decreased enrollment in higher education, therefore, they are not looking for any new hires in large quantities. The faculty in the future will basically be retained so the question is, how do you keep these people alive and stimulated, up-to-date, etc., and one clear mechanism is the kind of leave when they go to business or government and we transfer them for pay to go to some other organization. A second desire is not to slow down anyone who is interested in early retirement. Dr. Dayton feels that the two year maximum plus the provision that limits the purchase of military, out-of-state and leave to five years may put a person in a situation where he can't buy any leave at all. The University System would like to see a person take more leave but the current provision which requires five years of membership after the leave, or if the individual is close to retirement, discourages the practice. The bill would start a new kind of leave, basically a certified leave effective for leave approved after January 1, 1981. The leave would be prospective from here on out and there would be no limit on that type of leave and the member could buy the leave after one year. Dr. Dayton said they would like to have the Board sponsor it or support the bill if the Commissioner of Higher Education sponsored it. Mr. Thomas asked if there are any affects actuarially. The Executive Secretary replied that there is always a cost to the System when the cost is not based on the actuarial equivalent of the benefit the member will receive at the time he retires. He went on to say that there is a loss of interest earnings on the contributions the System would have received during the leave and the fact that the individual would not be eligible to buy the leave for one year. Dr. Dayton stated that they would be happy to set down with the Board's attorney and resolve any issues. The number one goal is for certified leave and they want to get more development going in the states faculty situation. Mr. Corbin stated that the only problem he sees is the interest earnings that are lost. Dr Wenaas points out that the request is for a special category and additional time for which probably only a special group of people will be helped and he was concerned that the fiscal responsibility may be out of the hands of the Board. Dr. Dayton reiterated that they want no fiscal problems to be created by the bill and that the primary reason for the bill is to do something which will have a positive affect on personnel policy. Dr. Wenaas expressed his anxiety about the problems that can occur down the road on something like this. He said there are some implications to members outside the University System and is concerned about boards of trustees making the decision as to what is certified leave. Mr. Corbin stated that it is his objective to be fair in all concerns. Dr. Dayton said that they are interested in working out any concerns of the Board. The Board then informed Dr. Dayton that his request will be considered later in the day and Dr. Dayton was excused from the meeting.

Discussion then centered around the legal aspect of the bill and the Executive Secretary said that this is an area of special concern since we do not have a legal counsel and when there are legal problems, who do we take them to. Mr. Corbin made the motion that we amend our budget to include legal fees on a retainer basis. Mr. Kearns seconded the motion and motion carried unanimously.

Order of business then reverted back to the agenda and review of the financial reports. Mr. Corbin stated his pleasure with the reports, particularly the notes to the financial statements which gave him a better understanding of the financing. The question then arose as to whether there were legal limits on the amounts of particular investments. The Executive Secretary stated that common stocks are limited to 20% of the asset value. Mr. Corbin then expressed his concern about money going outside of the State and wanted to know if there is an effort made to do business within the State. It was brought out that the principal goal is to maximize the yield on investments and Mr. Kearns pointed out that the Board of Investments is buying Montana mortgages. Dr. Wenaas pointed out that at the National Council on Teachers' Retirement conference he learned that the State of Nevada is investing in warehousing because there is no tax on warehouses. Also, they have an interest in the Riviera and realize a large profit on this type of operation. Chairman Burke then added that there probably will be an increase in mortgage foreclosures. Chairman Burke then requested a summary of the Executive Secretary's report which was then given.

Attention then focused on a request from Mrs. Ann Roberts in which she is asking for additional military service time for time served in the Womens Auxiliary Army Corps from February 1943 to August 1943. The reason for the request was due to Congressional action which extended veterans benefits to WAAC members who did not convert to the Womens Army Corps. The Executive Secretary said that military service time is credited on the basis of military active duty time and he had talked with the Veterans Administration here in Helena and was advised that this time was not considered active military duty. Dr. Wenaas moved that Mrs. Roberts' request be denied. Mr. Kearns seconded the motion and motion carried.

The Executive Secretary stated that the last legislative session created Special Education Cooperatives. The Attorney General's Office has stated that these cooperatives are legal entities and as a result do not fall within the membership categories in the Teachers' Retiement law. Dr. Wenaas did not think that it was fair to exclude them and said the legislature mandated that special education be available for everyone and that they are doing the same thing in outlying areas as special education teachers in school districts. Cooperatives receive State aid and use larger districts as fiscal agents to do their accounting or book work for them. He went on to say that if the interpretation of the law is correct, then legislation should be enacted to allow their membership. The Executive Secretary then stated that since they are not eligible for membership in Teachers' Retirement System, they can belong to the Public Employees Retirement Division by contracting for the coverage, then if legislation is passed to include membership in Teachers' Retirement System, there would be no loss of credit because they can transfer that service to Teachers' Retirement Division. The question as to who is going to introduce the legislation was then discussed. Mr. Thomas said that Georgia Rice might have a piece of legislation that the Board could look at and support during the session. The Board then tabled further discussion until the legislation was introduced.

Chairman Burke then asked if there were any more new business and Mr. Corbin then mentioned the article appearing in the Montana Standard which pointed out that the retirement systems own stock in ARCO and due to ARCO's pullout in Anaconda and Great Falls, some sort of protest should be made in regard to that action. Mr. Corbin then made a motion that a letter be drafted to protest this action and Mr. Kearns seconded the motion. Discussion ensued as to the propriety of the action and to whom the letter should be sent. Mr. Kearns stated we have a right to send a letter, but thought that little would be accomplished. The Executive Secretary stated that with the inception of the common stock pool, the retirement no longer owns the stock, but simply owns shares in the common stock pool. Mr. Kearns then suggested that the letter be written to the Board of Investments requesting that they protest the action. Mr. Corbin then restated his motion which was seconded by Mr. Kearns and motion carried.

The Executive Secretary explained that he received a letter from Mr. Kearns suggesting that some discussion be held on the points brought up at the legislative meeting and also he would like some direction from the Board as to their position on these items. Mr. Kearns felt that the meeting produced, a feeling from the groups that the Teachers' Retirement Board should become more involved with legislation. The Executive Secretary then asked what the Board's position would be on the MEA's proposal to allow up to two years of free military service during Viet Nam. Dr. Wenaas said that he was against it because of the increase in the accrued unfunded liability and moved that the Board oppose the legislation. Mr. Corbin amended the motion to say that if the funding was available, the Board would approve it, and only on that condition. Mr. Kearns seconded the motion and the motion carried. The MEA's suggestion that an all elective TRS Board be created and it was the Board's feeling that this was not a desirable situation. In regard to a 25 year retirement or a 2% formula, the Board felt that by supporting a cost of living formula, they could not have both and the COLA adjustment had priority. Mr. Corbin then asked if we had ever received any information regarding early retirement costs from Alton Hendrickson which was requested at the last meeting. The Executive Secretary said that as of this date, he had not received the information. Mr. Corbin then stated that he had a lot of questions concerning early retirement and would like to have some figures. The reduction factor of 6% per year prior to age 60 was then explained and that if this factor was maintained at age 50 with a 60% reduction, there would be no cost to the System.

The next item was Mr. McGarvey's recommendation that classroom teachers salary in the final average salary be 36/27 of what it is now. The Executive Secretary stated that the inequity is remedied by giving classroom teachers a full year of service credit for nine months of teaching. Dr. Wenaas pointed out that teachers do have the opportunity to work 12 months and some of them do with summer school, driver education, adult basic education and coaching. It was generally the feeling that this could not be supported if legislation was introduced.

Chairman Burke brought up Irving Dayton's proposal on certified leave and stated that such legislation ended with a bunch of special situations. Dr. Wenaas pointed out the problems of the Board of Regents and School Board Trustees making the determination of certified leave. The consensus was that the legislation would open up a great number of problems. Mr. Kearns moved that the bill as presented will create inequities to other buy-in provisions and the Board should not support this legislation. Motion was seconded by Dr. Wenaas and unanimously approved.

The next order of business was consideration of possible legislation concerning eliminating or limiting the amount of severance pay in the calculation of "average final compensation." Mr. Corbin asked if Mr. Hendrickson had ever provided costs as to what the System could afford in the way of severance pay? He went on to compare the proposed cost of living formula to the current average increase attributable to severance pay. The Executive Secretary then explained that the cost of living increase for a member with 30 years of service and an inflationary rate of 14% would receive approximately $49.69 per month while the average increase in monthly benefit due to severance pay was approximately $45.00. He added that Mr. Hendrickson had indicated it would be very difficult to come up with some costs as to what the System could allow in regard to severance pay. Dr. Wenaas said that the cost of living increase would be an every year type increase and in three years the amount could be tripled. The Executive Secretary also pointed out that there may be an inequity in the cost of living formula to those members whose salary is in excess of the average salary of active members since the average salary of active members is used in the calculation of the benefit adjustment. Dr. Wenaas further stated that this is true and he has received some complaints about this, however, with the third source of funding, this provides an increase to those people who have retired without the benefit of the higher salaries and lack of cost of living increases. Dr. Wenaas said that maybe we do not want to eliminate it entirely and should consider one of the other proposals. Discussion then centered around the effective date of the legislation. The Executive Secretary explained that if it was effective July 1, 1982 it would apply to anyone who retired at the end of the 1981-82 school year. Dr. Wenaas asked why this was? The Executive Secretary explained that anyone who retires at the end of a school year, their retirement is always effective on July 1, of that year. The Board then decided that the effective date of such legislation should be August 1, 1982. Mr. Corbin said that this legislation will probably be sat on, depending on the progress of the cost of living bill. Dr. Wenaas moved that example III (example attached) be the form of legislation on the severance issue. Mr. Kearns seconded the motion, and motion carried with Mr. Corbin abstaining. Mr. Corbin explained the reason for his abstaining was he is worried about the severance bill passing and the COLA adjustment bill failing. He went on to say that he realizes something has to be done about the severance thing but if the COLA bill fails, then the severance bill might be changed to another formula. Mr. Thomas mentioned that he talked to an attorney in Butte who said this may not be legally applied to current active members. Mr. Corbin mentioned that this is the position taken by the Butte Teachers Union and possible litigation could result. The Executive Secretary added that if we are sure we're going to be sued and lose, then we should eliminate it entirely and in that way we would know that anyone who became a member after the effective date of passage would come under the new law.

The next order of business was the report on the National Council on Teachers Retirement. The Executive Secretary reported that they had heard a very pessimistic economic outlook for the 80's from Dr. Larry Kudlow, Chief economist for Bear, Stearns and Co., New York. Mr. Kudlow felt that retirement systems should be looking towards investment in such areas as gold, silver, foreign stocks, real estate and foreign currency. He blamed much of the economic ills of this country on the Federal Reserve Board and applauded the State of Alaska for seeking legislation to expland their investment authority to include such type of investments as gold and silver. The Executive Secretary added that there were some interesting workshops concerning providing health care to retired members. Dr. Wenaas added that you can't lose on gold in that gold keeps up with the cost of living while bonds bought at a lower interest rate than now prevailing have lost value. Mr. Corbin then expressed an interest to meet with the Investment Board. Mr. Kearns suggested we try to meet with them in January.

The Board next reviewed the retirement and survivor applications. Dr. Wenaas moved that the retirement and survivor applications be approved. Motion was seconded by Mr. Corbin and motion carried.

The application for disability of Robert L. Gilman was approved upon a motion by Mr. Kearns and seconded by Mr. Corbin. Motion carried.

The application for disability benefits for Donald F. Schwegman was denied upon a motion by Dr. Wenaas on the grounds that additional information is needed to substantiate the disability claim. Motion was seconded by Mr. Corbin and motion carried.

The application for disability benefits for Albert Simonsen was denied upon a motion by Mr. Corbin and seconded by Dr. Wenaas. The basis for denial was due to the medical evidence submitted, the member was able to be reemployed. Motion carried.

The date for the next meeting was discussed and was decided that January 23, 1981 be tentatively set with a possible meeting with the Board of Investments.

The eighth quarter leave was then discussed and after considerable discussion it was decided to give service credit for the lump sum payment. The Executive Secretary explained that when we received contributions on eighth quarter leave and were aware of it, the employee and employer contributions were returned and that we would have to adjust the benefit for everyone retired since July 1, 1977 who received an eighth quarter leave lump sum payment and also pointed out the danger of establishing a precedent of this nature. Dr. Wenaas said that since it is such a unique concept and is being currently phased out, the problem won't be there in the future. Dr. Wenaas moved that the Board grant additional service time for lump sum payments of leave and was seconded by Mr. Kearns. Motion carried with Mr. Corbin voting no!

Mr. Kearns then moved that the meeting be adjourned. The motion was seconded by Dr. Wenaas and motion was approved.

SEPTEMBER, 1980 RETIREMENT APPLICATIONS

Anderson, Vesta	557.71	62
Bompart, Virginia B. (Retroactive to 7/1/80)	765.24	61
Deem, Pauline L. Retroactive to 11/1/76)	106.67	60
Defrees, Madeline (Retroactive to 7/1/79)	450.09	60
Hossack, George W.	1,019.78	54
Sherman, Robert B.	708.58	52
Smith, John K.	733.18	55

SEPTEMBER, 1980 SURVIVOR BENEFIT

Brown, Florence P. (Survivor of James A. Brown)	1,366.12	60

OCTOBER, 1980 RETIREMENT APPLICATIONS

Bliss, William D.	201.69	55
Iversen, Ruth	222.69	60
Long, Frances	1,108.57	62
Lowthian, Betty Mae	361.87	55
Peterson, Donald	849.49	54

OCTOBER, 1980 SURVIVOR BENEFIT

Chilberg, Donna E. (Survivor of John Chilberg)	704.12	47
Jacobsen, Susie (Survivor of Carl P. Jacobsen)	332.91	74
Kutzman, Ariella (Survivor of Nathaniel Kutzman)	439.84	69

James E Burke

James E. Burke
Chairman

F Robert Johnson

F. Robert Johnson
Executive Secretary

DRAFT LEGISLATION

EXAMPLE I

19-4-101(8), MCA "Earned compensation" means the full compensation, pay, or salary actually paid to a member and reported to the retirement system, including irregular forms of remuneration, such as amounts paid for special duty or under a salary reduction agreement, and amounts paid in kind, such as maintenance. The employer shall fix the value of any compensation paid in kind. Earned compensation shall not include any form of termination pay or any lump sum payment for deferred compensation, sick leave or accumulated vacation credit, or any other payment for time not worked. The earned compensation of a member who had less than 3 consecutive years of full-time service during the 5 years preceding his retirement is the compensation, pay, or salary which he would have earned had his part-time service been full-time service. The earned compensation of a member who is awarded a disability retirement allowance prior to the completion of a full year is the compensation, pay, or salary which he would have received had he completed the full year.

The effective date of this legislation shall be July 1, 1982.

DRAFT LEGISLATION

EXAMPLE II

19-4-101(5), MCA "Average final compensation" means the average of the earned compensation of a member during the 3 consecutive years of full-time service which yield the highest average and on which contributions have been made as required by 19-4-602(1). If the earned compensation includes any form of termination pay, or any lump sum payment for deferred compensation, sick leave or accumulated vacation pay or any other payment for time not worked, the amount of such compensation utilized in the calculation of the final average salary shall include only that amount attributable to the 3 highest years utilized in the calculation. This amount shall be certified by the employer.

The effective date of this legislation shall be July 1, 1982.

DRAFT LEGISLATION

EXAMPLE III

19-4-101(5), MCA "Average final compensation" means the average of the earned compensation of a member during the 3 consecutive years of full-time service which yield the highest average and on which contributions have been made as required by 19-4-602(1). If the earned compensation includes any form of termination pay, or any lump sum payment for deferred compensation, sick leave or accumulated vacation pay or any other payment for time not worked, the amount of such compensation used in the calculation of the final average salary shall be divided by the total number of years with the employer the member retired from to determine the yearly amount. The yearly amount shall then be added to each of the 3 consecutive years' salary utilized in the calculation of the "average final compensation".

The effective date of this legislation shall be July 1, 1982.

DRAFT LEGISLATION

EXAMPLE IV

19-4-101(5), MCA "Average final compensation" means the average of the earned compensation of a member during the 3 consecutive years of full-time service which yield the highest average and on which contributions have been made as required by 19-4-602(1). If the earned compensation includes any form of termination pay, or any lump sum payment for deferred compensation, sick leave or accumulated vacation pay, or any other payment for time not worked the amount of such compensation shall not exceed _______% of the actual "contract salary" for the last year's salary used in the calculation of average final salary. "Contract salary" shall not include any form of termination pay, or any lump sum payment for deferred compensation, sick leave or accumulated vacation pay or any other payment for time not worked.

This legislation shall be effective July 1, 1982.

RESOLUTION NO. 74

WHEREAS, the Honorable Georgia Rice has served as a member of the Teachers' Retirement Board from January 1976 through December 1980, and

WHEREAS, it is the sincere and considered opinion and judgement of the members of the Teachers' Retirement Board and its administrative staff, who have served with her during her years of membership, and the many members of the Teachers' Retirement System, that she has served this office with ability, integrity and understanding, and

WHEREAS, she has contributed generously of her valuable time, experience and counsel in the equitable administration of the Teachers' Retirement System, now, therefore,

BE IT HEREBY RESOLVED, that her fellow board members, administrative staff and members of the Teachers' Retirement System extend and express their sincere and heartfelt appreciation to Mrs. Rice for her excellent, intelligent and dedicated service during her tenure as a member of the Teachers' Retirement Board of the State of Montana.

James E. Burke
Chairman

George N Gloege
Vic Chairman

J. William Kearinge

LeRoy A. Corbin

F. Robert Johnson
Executive Secretary

Mary J. Lindridge
Ass't Executive Secretary

RESOLUTION NO. 75

WHEREAS, 19-4-50(4) MCA 1979 required that "The state treasurer is the custodian of the collected retirement system moneys and of the securities in which the moneys are invested. All expenditures from the moneys may be made only upon claims signed by at least two persons designated by the retirement board. A properly attested copy of a resolution of the retirement board designating such persons and bearing on its face specimen signatures of each person shall be filed with the department of administration as its authority for approving such claims."

RESOLVED, that the Teachers' Retirement Board hereby designates F. Robert Johnson, Executive Secretary, Mary L. Andridge, Assistant Executive Secretary, and Karla Ann Rinehart, Secretary, whose signatures appear below, to sign all claims for expenditures of moneys on deposit with the state treasurer for the account of the Teachers' Retirement System.

F. Robert Johnson
F. Robert Johnson
Executive Secretary

Mary L. Andridge
Mary L. Andridge
Ass't Executive Sec.

Karla Ann Rinehart
Karla Ann Rinehart
Secretary

James E Burke
Chairman

LeRoy H. Osborn

EXECUTIVE SECRETARY'S REPORT

JANUARY 23, 1981

The legislative session started out with a bang due to the large number of pre-drafted bills. With just about every piece of retirement legislation, there is a fiscal note required and by the time the note gets to us, the requested turnaround time is one day. It seems that with every session, there is an increasing number of retirement bills. We have thus far testified on five bills.

Since the last Board Meeting we have added a new accountant, Hank Whitaker. Hank had been an accountant with State Lands. We also have a new secretary, Karla Rinehart, who came to us from Workers' Compensation. Jacque Williams, accounting clerk, and Marjorie Rowley attended a one day workshop on the Statewide Budgeting and Accounting System and both felt that it was very worthwhile. Babe Ramberg, who handles our retired members, had surgery in November and was out about four weeks. She returned on a part-time basis and was starting to work full-time again when she had to go back for more surgery. Vicki Erickson has been serving as a backup for Mrs. Ramberg, with Mary's help.

The only speaking engagement I have had since the last Board Meeting was, in Missoula, to the Northwest Elementary Principal's Association. There were about 30 people at the meeting, including some Missoula legislators and I had a chance to discuss the COLA bill and the bill to limit the severance pay.

We have had correspondence with the new data processing coordinator, in the Governor's Office, regarding the study of our new computer system. We did get them to change their priorities somewhat, but we have not heard anything since that time.

TEACHERS' RETIREMENT BOARD MEETING

JANUARY 23, 1981

The meeting was called to order at 10:00 A.M. on January 23, 1981, by Chairman Burke. Those present were:

Jame E. Burke, Chairman
LeRoy A. Corbin
J. William Kearns, Jr.
Edward Argenbright
Dr. Harold Wenaas
Dr. George Gloege
F. Robert Johnson
Mary L. Andridge

The minutes of the last meeting were approved and entered as a matter of record.

The investment, mortgage, financial and budget reports were next considered. Considerable discussion evolved around the investments and the upcoming meeting with James Howeth, Investment Officer of the Board of Investments. Mr. Corbin and Mr. Kearns both mentioned that they would like to discuss the issue of investing in Montana whenever possible with Mr. Howeth.

The mortgage reports were then discussed and discussion centered around the delinquencies and it was the general consensus of opinion that the rate was not high when you take into account the number of loans outstanding. Mary Andridge discussed the one delinquency of eight months and were ready to foreclose but that the owner had agreed to pay an additional $100 per month until the payments were caught up and since the property is being maintained in good shape, the servicor agreed to this arrangement. It was also pointed out by Mrs. Andridge that the Board of Investments stays on top of the delinquencies. It was then mentioned that due to economic conditions, the foreclosure rate would probably increase.

The budget status was next considered and Chairman Burke remarked that it looks like we are in pretty good shape and asked it there were any sizeable expenditures coming up. Mary Andridge stated that the valuation in the amount of $9,500 will be paid out of contracted services and that rent for the building will be $20,100. Mr. Corbin asked if the work was being kept up to date and Mrs. Andridge replied that it was.

Dr. Wenaas then commented on the inactive accounts which were mentioned in the audit report. Mrs. Andridge said that those members who do not have a vested right do not receive statements. It was decided that lists of names be provided by town or city and forwarded to the school districts for possible addresses amd Dr. Wenaas requested that he be provided with those that were last employed by Great Falls. Mr. Kearns mentioned that if we make a concerned effort that the auditors might leave us alone and Chairman Burke noted that even if we were to find at least 10 names every six months we would be making some progress. Dr. Wenaas said that he would talk to school administrators to see whether they would be willing to cooperate if we were to provide names of our inactive accounts. Considerable discussion then ensued about possible action to take.

Attention then shifted to the Legislative Auditor's Report for June 30, 1980, and Dr. Gloege asked about the auditor's recommendation concerning verifying income for those members on disability. Mention was made of requiring a copy of the W-2 Form but it was brought out that it would include rental income, dividends and interest. Dr. Wenaas then suggested that they discuss the audit recommendations one by one. At that point Mr. Argenbright indicated that he would have to leave the meeting and was excused.

Recommendation 1A: To compare the computer file benefit recipients to the Department of Health and Environmental Sciences computer file deaths on an annual basis. Mary Andridge mentioned that PERS had tried this and found social security number errors and that this procedure didn't work out too well but that we would be willing to try this. It was also stated that the Independent Record was publishing Montana deaths and this has been quite useful in detecting deaths of retired members. The other part of the recommendation was to develop alternate procedures to assure the System received notification of deaths prior to July 1, 1979. Mrs. Andridge replied that in the past we have telephoned our older members, to inquire as to whether they are receiving their checks and that further effort will be made in this respect.

Recommendation 2A: Require disabled members to submit corroborating information with the "annual disability report". There was a lot of discussion as to the best method to handle these situations and it was decided that we request a copy of their federal income tax return to be included with the disability review form in order to verify the income reported. Mr. Corbin so moved and Mr. Kearns seconded the motion and the motion passed unanimously.

Recommendation 2B: Requested documenting calculations comparing the member's final average compensation to present income plus disability benefits. The Executive Secretary said that we concurred with this recommendation and that this has been implemented.

Recommendation 3: Teachers' Retirement Division discontinue paying disability benefits for the same period that a member receives sick or annual compensation. Mr. Corbin asked the Executive Secretary if our position was explained and the

Executive Secretary stated that in the last Board meeting the policy was reaffirmed and that it is simply a matter of interpretation. He went on to say that they made a good point in saying we have to use sick leave according to the Attorney General's opinion yet we are saying that you can retire when you are disabled and then they are remaining on the payroll during the time they are drawing a retirement benefit. At that time Mary Bryson from the Legislative Auditor's Office was admitted to the meeting and Chairman Burke then reviewed the portion of the audit report that had taken place prior to Mrs. Bryson's arrival.

Recommendation 4A: Chairman Burke noted that we had concurred and work has been done in developing a calculation form. The Executive Secretary stated that with the legislative session he hasn't had time to prepare the form in final draft form.

Recommendation 5: Is to work with the State Auditor's Office to eliminate the return of warrants to the Division for mailing or cancellation. Mr. Johnson stated that we have implemented this recommendation and are not having any warrants returned to the office from the State Auditor's Office. He said that Mary Andridge could elaborate on it more. Mrs. Andridge stated that on refunds, the 1099 we have to prepare is the same size as the state warrants, therefore, it goes with the transfer warrant claim to the accounting division and then to the State Auditor's Office where it goes with the refund warrant. The Executive Secretary stated that we were having the death benefit warrants returned in order to send a letter of explanation but now we are sending a letter beforehand and the warrant is sent from the State Auditor's Office.

Recommendation 6: Send statements of account to inactive members of the System. The Executive Secretary said that we are sending statements of account to our vested right members but we don't send statements to those people with less than 5 years of service. Vested right members account for approximately 4.9 million of the 6.2 million mentioned in the auditor's report and that probably 95% of the vested right members know that account is there and are simply waiting until they reach retirement age until they contact this office.

Latest information indicates that we don't have addresses for approximately 177 out of 700 vested right members. Discussion then reverted back to the similiarity of this recommendation to number one.

Recommendation 7A: Correct erroneous information on the membership system when the correct information is calculated for retired members. Chairman Burke noted that we concurred in the recommendation. The Executive Secretary added that we did not have the beneficiary information of the retired members and Mr. Hendrickson needs this information for his valuation and this should be completed in the next couple of months. Dr. Wenaas asked how this was done and Mr. Johnson replied on a data entry form.

Recommendation 7B: Establish procedures to ensure that information provided to the actuary is complete. The Executive Secretary partially agreed with this in that he feels it is also incumbent upon the actuary to furnish us with any information that might be missing. A similar comment was made two years ago and we requested that the actuary provide us with a list of discrepancies but that it has not been done. Mr. Corbin then questioned who checks the actuaries. The Exeucutive Secretary stated that two years ago the Legislative Auditor's Office hired Cooper and Lyhrand, a consulting firm. Mary Bryson then stated that they perform an actuarial review of their own and the credentials of the actuary are checked. They check the information he was given and the assumptions they use. Dr. Wenaas wondered who checks the mathematics and Mrs. Bryson said that two years ago they did have a person look at it and that it's very costly to do that because it costs about the same amount that it costs the Teachers' Retirement System to run a valuation.

Recommendation 8A: Request Computer Services Division to adequately secure the programs stored in production libraries. Mr. Burke said that we have talked about that but that we are a little bit at their mercy, but we certainly concur. The Executive Secretary said that all we can do is write them a letter, telling them of the auditor's concerns and our concerns and hope that it will be done. Mary Bryson said that this problem originally stemmed with Computer Services Division and they say it is the agencies responsibility to request this type of security and so they, the Legislative Auditor's Office, are going to the agencies and asking that they request this. If it is not provided they can come down on the Computer Services Division. Chairman Burke noted that everyone in the State should want this. The Executive Secretary said that he is willing to make the request as long as it isn't going to cost a great deal of money. He said that in talking to Jim Sheehy of ISD, he felt that it might cost us a great deal of money to implement what they are requesting. He further stated that we don't have money budgeted for this purpose and we assumed that this was already being done.

Chairman Burke asked what security meant, a locked room or 24-hour guard service and are we talking about fire. Mary Bryson said that's our big concern and also to secure the files so there can be no one else with access to the information contained in those files.

Recommendation 8B: Work with Information Systems Division to adequately secure the new system against unauthorized access. Mary Andridge asked Mary Bryson what the major concern was in this recommendation and Mrs. Bryson said it was simply access to the information that is confidential. Dr. Wenaas then asked if our minutes were confidential and the Executive Secretary said that it is public information.

Chairman Burke then told Mary Bryson that the Board appreciated the information she has provided and that they are quite pleased with the progress the Executive Secretary and his staff has made in the past couple of years and that in comparing this report to the one previously, he felt we have made a lot of gains and that the Board may disagree sometimes with the Auditor's opinion, but we'll try to improve in these areas. Dr. Wenaas then asked Mrs. Bryson if she had any comments and Mary said that they were extremely pleased with the improvements in the Division and the report itself states that there is tremendous improvement in just the fact that they could give an opinion on the financial statements. Mr. Corbin asked if there were any agencies where there were less than 8 recommendations and Mrs. Bryson said there were some but that this was a very good audit. Dr. Wenaas said that after looking at the substance of it, that he felt it was good and that it seemed less serious than the last one. Mrs. Bryson said the next audit would be for the period fiscal year 1981-82. The Board then thanked Mrs. Bryson for coming over and taking the time to answer questions and Mrs. Bryson replied that they felt good about coming over too and improving working relationships between agencies. Mr. Corbin said, that he felt there was a lack of communications in the previous audit and Chairman Burke said he felt that communications had been exceptionally good this time. Dr. Wenaas said we all took the last audit pretty serious and started working on it right away. Mrs. Bryson was then excused from the meeting.

Chairman Burke then asked the Executive Secretary if he had any comments regarding the Executive Secretary's Report. The Executive Secretary said he didn't have any further comments.

He did meet with the MEA Retirement Committee last Saturday and they were very pleased with the audit report. Dr. Wenaas wanted to know if they were going to make a report similar to the last time and the Executive Secretary said they did indicate that they could go back to their members and not have any difficulty.

The Executive Secretary said that his request for a higher grade was disapproved and Mr. Kearns asked if there was any thought as to how they could get a higher grade. Mr. Johnson said that it is all decided in the Personnel Division.

The Executive Secretary then stated that in the hearing this morning on Senate Bill No. 135 he was questioned by Senator Storey, Chairman of the State Administration Committee on the makeup of the Board. Discussion then took place on the merits of the current composition of the Board and the fact that it might not be good to have an elected Board strictly comprised of members. Dr. Gloege stated that the retired people in Montana are striving to have more citizen members serve on the Board and Dr. Wenaas said that that was the original purpose. Mr. Kearns stated that it seems to be the current trend to have a diverse interest to serve on boards. Mr. Corbin responded that we should support the current makeup and that input from someone outside the profession is very advantageous. The Executive Secretary said that if there was a bill to change the composition, he would hope that the members of the Board would come and testify. It was the consensus that a mix of lay people and members is good.

Mr. Corbin then asked about Mr. Hendrickson's letter in regard to allowing an individual to retire at age 50 instead of age 55, if the member has less than 30 years of service. The Executive Secretary said that there is a bill proposed by Representative Nordtvedt which is based on the factors included in Mr. Hendrickson's letter. For example, an individual who had 25 years of service and was age 50 could retire at a 30% reduction, but a member who is 50 with 20 years of service would have a reduction of 48%. The bill as presented would not carry any cost to the System, therefore, would the Board support the bill? Mr. Corbin moved that the Board support the bill, which was seconded by Dr. Gloege. The motion carried unanimously.

The Board then considered sending representatives to the NCPERS Conference in Maui, Hawaii, April 5 through April 11. The Executive Secretary said that we could not afford to send two people at todays travel costs. Chairman Burke asked whose turn it was to go and the Executive Secretary replied that the Board usually decides but that he would recommend we don't attend because of the budget. Mr. Corbin then asked if a correction was being made on the budget for next year as far as travel money was concerned. The Executive Secretary replied that travel was frozen in the last budget, consequently when air rates go up, that just eats into what was budgeted. Mr. Corbin said that at that rate we wouldn't be able to go anywhere. Mr. Johnson said that they allowed us about a 9 or 10% increase this year and rates increased 40%. Mr. Corbin said that this is one of the things he resents is that the Board can't make a decision about the budget. The Executive Secretary said that inflationary factors are established for everyone and even though we are not a general fund agency, they apply to everyone. Mr. Kearns wondered whether it wouldn't be wise to send at least one so they can't say we didn't feel it was important and maybe they will try to cut it out all together. The Executive Secretary reiterated that in lieu of the fact that we might have budget problems, he would just as soon not send anyone, but if the Board feels we should send one person we would comply. Mr. Kearns said he didn't want us placed in a position where they can attack us and start cutting back. The Executive Secretary said they use the FY 80 expenditures as the budget base, so they pay no attention to the 81 fiscal year. Discussion continued that there is a stigma attached to business trips in Hawaii even though the cost may not be any higher than going someplace in the continental United States. The Executive Secretary stated that if the Board wanted one person to go he would recommend that it be a staff person. Dr. Gloege made the motion that if we have the money, a member of the staff should be sent and this was seconded by Mr. Kearns. The motion carried unanimously.

Resolution 74 was then reviewed by the Board and Dr. Gloege moved that it be adopted, which was seconded by Mr. Corbin and the motion carried unanimously.

Resolution 75 was then considered and after some discussion Mr. Kearns moved for adoption which was seconded by Dr. Gloege and the motion carried unanimously.

Attention then shifted to old business and the Theodore Waddell case. The Executive Secretary said this was a case where the member was refunded $7,186.42 too much and that the Board had decided to use the Attorney General's Legal Services Divsion to recover this over-refund. The case was settled in district court and Mr. Waddell had agreed to reimburse the Teachers' Retirement System in accordance with a schedule covering a period December 1, 1980 to December 5, 1985. The first payment of $2,186.42 was received. In addition the System would receive interest at the rate of 10% during the repayment period. Mr. Kearns asked if we recovered any attorneys fees to which the Executive Secretary said no.

The next item of business was the letter written to the Board of Investments regarding ARCO's closing of the smelter operations in Anaconda and Great Falls. Mr. Corbin said that we got the reply back in the manner we expected but at least we were on record as registering a protest, but that maybe this should be mentioned at our meeting with Mr. Howeth.

Chairman Burke then asked if there was any other old business. Mr. Corbin said he wanted to bring up the matter of public versus private service credit. The Executive Secretary explained that this will be covered in the legislative portion of the agenda. Mr. Corbin was concerned about the current suit in which we expected a decision and wondered why the judge is setting on the case. The Executive Secretary stated that he didn't know unless the judge was watching the progress of House Bill 135.

The Executive Secretary then mentioned that at the last meeting the Board decided to give service credit for 8th quarter leave, however, he had talked to Thomas Nopper of MSU who said that one of their employees was not happy with the Board's decision and that possibly we could be sued or that they may request an Attorney General's opinion. The Board then said that it will then be the Attorney General's decision and not ours.

The Board then considered the retirement and survivor benefits at which time Jim Howeth and his assistant, Mr. Rodney Young, entered the meeting. Chairman Burke then asked if there was a motion to approve the retirement and survivor benefits and

Mr. Kearns moved that they be approved and the motion was seconded by Mr. Corbin. Motion carried unanimously.

Chairman Burke thanked Mr. Howeth and Mr. Young for coming over and said that he would like to throw the meeting open to any questions the Board had. Chairman Burke pointed out that they received a report of the type of investments being made each Board meeting. A discussion ensued around the makeup of the Investment Board and the fact that there were to be two new members on the Board. Mr. Howeth said that they were somewhat surprised that the yield on the Teachers' portfolio only went up two basis points in a period of high interest rates. In 1979 there was a $463,000 profit on the sale of stocks that didn't accrue in FY 80. In addition, there were some bonds disposed of in 1980 in which losses of $86,000 were realized so there was a net swing of about $550,000 profit in one year to a realized loss in the next. If you adjust for those two items the actual portfolio yield would have increased 31 basis points, rather than 2. Mr. Howeth continued in that it has been their approach to upgrade the quality of the portfolio, since when they took over the investment responsibility, the Teachers' portfolio did lack being of real top quality. He did state that if there were any criticisms to be made, that they should have bought more common stock because right now there is a real nice profit and it probably is about the only type of investment vehicle left that the retirement fund has as a hedge against inflation. It, therefore, will be their policy to invest more in common stocks since the limit is 20% and right now only about 10% of assets are in stocks. The mortgage market is attractive but there aren't that many offerings in the market. Mr. Howeth said he wishes to stress that they are required to invest in instruments which produce the highest yield. This is not only required by law, but by the courts.

The question of investing primarily in Montana investments was brought up by Mr. Kearns and Mr. Howeth replied that this comes up every session and that they find it difficult to define what an out-of-state investment is. Most companies invested in pay taxes in Montana such as General Motors, Exxon, Conoco, J.C. Penney and Safeway. They employ people and these people pay taxes. Mr. Corbin stated that there isn't a month that goes by that someone doesn't ask him about investing retirement funds in Montana. Mr. Howeth replied that there isn't enough money in the world to offer it below market and market determines where the investments are to be made. Mr. Corbin felt that we are taking the free enterprise system out since it discourages someone from offering something better at a lower price. Mr. Howeth said that we are bound by the statutes and even if we did it statutorily the courts probably would intervene. Discussion continued about issuing obligations bonds by the State of Montana at maybe 9% and then loan it out at 11. Mr. Howeth wanted to stress that the investment philosophy is that of a long term nature whereas the higher yielding investments are short term. Chairman Burke questioned how long it takes to turn around a fund bringing in 8%, when short term rates are 19 or 20% and Mr. Howeth explained that if you look through the portfolio you will see that through investing in private placements it is structurally a little different than an ordinary bond offering in that they have to pay part of that bond off to you each year so this increases your cash flow. An ordinary bond simply matures at a certain time and you are paid off at the end of the maturity as you don't get back a part of your principal in that vehicle of investment but you do in a private placement. He also wished to make the point that even though the bond market stinks if you look historically at interest rates you will note that these rates are at historical highs so to average your portfolio, the best bet may be to take every nickel you can to buy as many bonds as you can to pull your average coupon rates up to increase your return. Chairman Burke asked what we could look at down the road and Mr. Howeth said the Investment Board's philosophy is to fly by the seat of their pants rather than have some long term outlook as to what the economy or interest rates are going to do. Mr. Corbin questioned having as many dollars of our assets invested in bonds and Mr. Howeth replied that historically there is no other place to go with the funds by law. In other words, Montana mortgages could be 50% of our total assets if that many were offered but in fact that is not the case.

Mr. Corbin then mentioned the closure of the smelter operations in Anaconda and Great Falls by ARCO and said that people really don't like it although he realizes that you buy where you get the highest return. Mr. Howeth said that we were the only ones he had heard from in regard to ARCO's actions. He went on to say that from the investment standpoint, ARCO has just about tripled in value since it was purchased.

The discussion shifted to social investing and that this is a topic of discussion at every investment officer's association meeting but you have to consider that we are in a world market and you cannot draw lines around the borders of the states and keep all the money within those borders. Mr. Young said there was a study done in Montana last fall and it was determined that there wasn't a shortage of capital in the State of Montana.

Mr. Howeth then touched upon real estate and said that we can invest in real estate but that they just did not have the staff or expertise it required to enter in a big way. He also pointed out that if you buy buildings you then take away the taxes from the counties and cities. The cost of maintenance is also a item to consider.

Mr. Kearns said that the Board is watching the investments and he was real happy with the way they were handling it and wanted to know if the Board of Investments had any concerns. Mr. Howeth said no and if they had, something would have been done about it.

Chairman Burke then asked for further questions and Mr. Corbin said that he was pleased with the opportunity to communicate and that it really helps both ways and that he really appreciated what they were doing. Mr. Howeth suggested that we get together at least once a year. At this point Mr. Howeth and Mr. Young left the meeting.

The next item on the agenda was legislation and the Executive Secretary said that he planned to go over legislation that has been introduced this session so far, and tell what the status of the legislation was and maybe get the Board's comments.

House Bill 45 was the cost-of-living adjustment, which would provide an automatic cost-of-living to retired public employees. The bill was heard January 16, by the State Administration Committee and that he had just heard they had stripped the automatic feature out of the bill and that only the minimum benefit increase remained. He explained that the cost would have to be absorbed by the employer since you cannot increase employee contributions unless you enhance their benefits. Dr. Gloege wanted to know who would benefit and Mr. Johnson replied that those people who were receiving less than $350 per month with 30 years of service would receive an adjustment and those with less than 30 years, a corresponding adjustment based on their years of service.

House Bill 48 is our bill on severance pay and that it passed the House and is now in the Senate.

House Bill 115 was a bill by Representative Nordtvedt which would have removed the interest setting authority from the TRS Board and provide that we would have to credit interest at the portfolio yield less any reasonable administrative expenses. The bill was killed.

House Bill 135 originally was to provide a member the right to buy up to 5 years of private in-state school teaching. The Executive Secretary said he opposed this bill because current law does not allow out-of-state private school teaching. The bill has been amended now to allow anyone with private school teaching to buy up to 5 years. Mr. Corbin asked if this wasn't our intent in the first place and the Executive Secretary said that it has always been the policy of the Board to oppose private school experience. The current law suit would, if we lost, resolve the inequity that exists for members of the System prior to 1971. Mr. Kearns said that he thought it has always been our policy to oppose this type of legislation but we could see the handwriting on the wall. Mr. Corbin said that Jim McGarvey questioned our position and that he probably did not understand what is taking place here.

Chairman Burke asked if there were any other bills and the Executive Secretary said that Senate Bill 82 would allow public health service to be qualified under the military service provision. This was killed in committee on an adverse committee report. Senate Bill 135 was the bill he testified on today which would reduce the cost of leave to active members and would provide that they can purchase this at the salary they would have earned had they not taken the leave. He said he thought the committee would allow them to base it on the salary they would have earned but at the contribution rate in effect at the time they became eligible. Mr. Corbin wondered if it would harm the System and the Executive Secretary said no.

The Executive Secretary then mentioned that there was to be a bill on Viet Nam service, which would allow free military service credit. He wanted to be sure that it would be the Board's policy to oppose this type of legislation if no funding was provided.

The next item of business was the disabilities.

The first application was for Irene Bottomly and Mr. Kearns felt this was too close to call. On a motion by Dr. Gloege it was decided to ask for additional information for reconsideration. Mr. Kearns seconded the motion and it carried unanimously. Mr. Burke asked the Executive Secretary to also contact Dr. Wenaas on this application.

The disability application for Donald F. Schwagman was reviewed and Mr. Corbin moved that the application be accepted. Mr. Kearns seconded the motion and the motion passed unanimously.

The disability application for Alfred L. Simonsen was reviewed and Mr. Kearns moved that it be granted which was seconded by Dr. Gloege and the motion passed unanimously.

The disability application for Edward L. Moody was reviewed and Mr. Corbin moved that the disability be granted. Mr. Kearns seconded the motion and motion carried.

The Board next considered the application for Lorraine Morton and after some discussion Mr. Kearns moved that it be approved. Mr. Corbin seconded the motion and it passed unanimously.

Consideration was next given to setting a date for the next meeting and it was tentatively set for April 10, 1981.

The Board then expressed their willingness to help on any legislation that the Executive Secretary felt he may need assistance.

Mr. Kearns then moved to adjourn which was seconded by Mr. Corbin and the motion carried unanimously, at 3:45 P.M.

RETIREMENT APPLICATIONS - NOVEMBER 1980	AMOUNT	AGE
Ridges, Janice R.	211.52	55
RETIREMENT APPLICATIONS - DECEMBER 1980		
Stokes, Marjorie	245.17	60
Hickey, Maurice J. (retroactive to 8/1/75)	131.38	55
Hodder, Richard L. (retroactive to 10/1/75)	1,151.95	61
SURVIVOR BENEFITS - NOVEMBER 1980		
Spear, William (s) Sharon M. Spear	416.68	62
SURVIVOR BENEFITS - DECEMBER 1980		
May, June B. (s) Joseph J. May	1,132.83	60
O'Conner, Helen (s) Loren J. O'Conner	441.65	61

James E. Burke

James E. Burke
Chairman

F Robert Johnson

F. Robert Johnson
Executive Secretary

HENDRICKSON & BIRD, INC.

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1820 Eleventh Avenue
Helena, Montana 59601
(406) 442-5141

January 7, 1981

Robert Johnson
Executive Secretary
Teachers' Retirement System
Helena, MT 59601

Re: Early Retirement

Dear Bob:

The Teachers' Retirement System allows early retirement within 60 months of normal retirement. It is my understanding that the board is considering increasing the early retirement to 120 months (10 years early). I have illustrated below two possible sets of reduction factors. The first set of reduction factors would be the current 5/10 of 1% for each of the first 60 months and 3/10 of 1% for each of the next 60 months. An alternative would be a reduction based on the current discount rate of 7%.

Years Early	5/10 of 1% - 1st 60 Months 3/10 of 1% - 2nd 60 Months	Discount Rate 7% Compounded Annually
0	1.000	1.000
1	.940	.935
2	.880	.873
3	.820	.816
4	.760	.763
5	.700	.713
6	.664	.666
7	.628	.623
8	.592	.582
9	.556	.544
10	.520	.508

Either set of discount rates will allow early retirement with no cost to the System since the accrued benefit at the time of retirement will be reduced to offset the extra cost of providing the benefits for a longer period. As shown in the table, the reduction would be based upon the years early from normal retirement which would be the earlier of age 60 or 30 years of service.

Sincerely,

Alton P Hendrickson

Alton P. Hendrickson, ASA

lml

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